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

2012
Annual Report

Premium Glacier

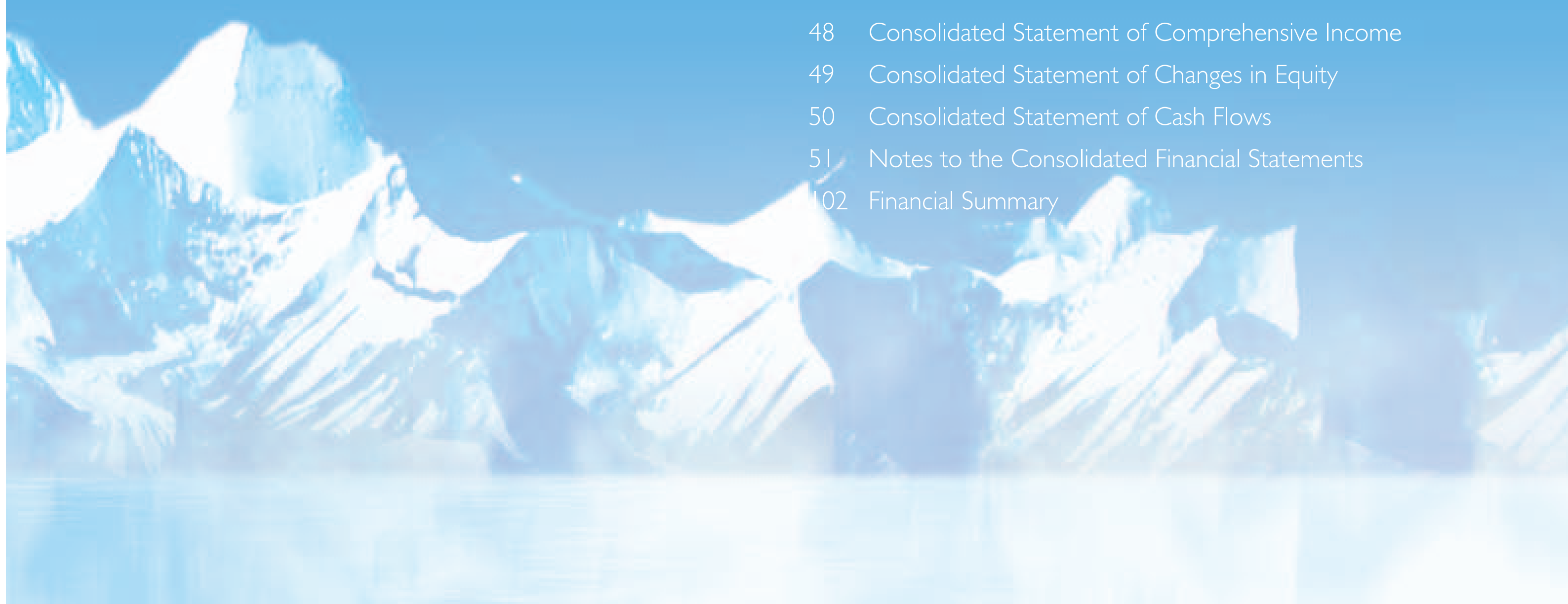
Mineral Water In The Market

Our Mission:

Serve The Best Quality

Water to The World

Contents



Official drinking water of The National People's Congress


万 钢
十二届全国人大一次会议
新闻中心
Press Center for the First Session of the 12th National People's Congress

5100 Life Style 生活品味

自然绿生活 5100-GOLF

1 INVITATIONAL by 5100 · HAINAN

2 INVITATIONAL by 5100 · HAINAN

3 2012 Nanshan · CHINA Master

4 5100 Guangdong Youth Open 2012

5 2012 China International Trade Facilitation Forum

6 CAIJING Annual Conference

7 China Philanthropy Forum

8 2012 China Cup Figure Skating Competition

9 Shanghai World Expo — Tibet pavilion

10 5100 Guangdong Youth Open 2012

11 2012 China Cup Figure Skating Competition


2012中国国际贸易便利化论坛
2012 CHINA INTERNATIONAL TRADE FACILITATION FORUM
贸易便利化——外经贸复苏新引擎
Trade Facilitation–New Engine for International Trade & Economy Recovery
2012年11月23日 中国·北京
5


6


7


9


8


2012年5100广东省青少年高尔夫球公开赛
10


11

Keep Going • Keep Growing


Water Card
水卡
TIBET SPRING
西藏冰川矿泉水
5100
巅峰之水卡
卡值800

New Page • New Power


西藏青稞啤酒
TIBET GREEN BARLEY BEER
BEER FROM TIBET HIGHLAND
TIBET
Green
BARLEY
西藏青稞啤酒
来自西藏高原的啤酒
355 ml
BARLEY
TIBET
Green
BARLEY

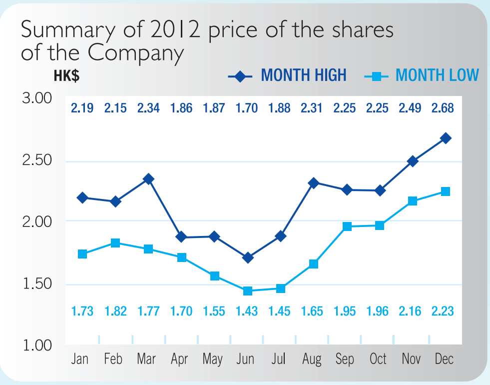
Stakeholders Information

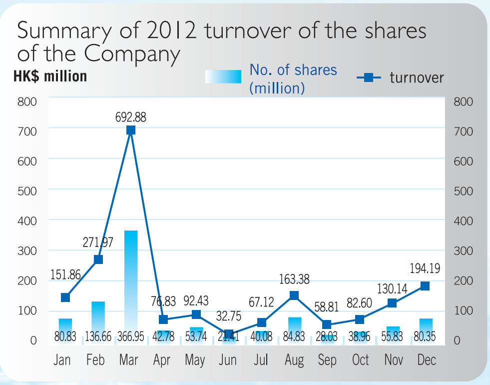
FINANCIAL CALENDAR

Announcement of 2012 final results	22 March 2013
AGM 2013	7 June 2013
Ex-dividend date for 2012 final dividend	13 June 2013
Despatch of dividend warrants	on or about 26 June 2013
Announcement of 2013 interim results (tentative)	August 2013
Announcement of 2013 final results (tentative)	March 2014

ANNUAL GENERAL MEETING 2013 ("AGM 2013")

The AGM 2013 will be held on Friday, 7 June 2013. The notice of the AGM 2013, which constitutes part of the circular to shareholders of the Company (the "Shareholders"), is sent together with this Annual Report to Shareholders. This Annual Report, the circular to Shareholders, the notice of the AGM 2013 and the proxy form are also available on the Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (http://www.5100.net).





CLOSURE OF REGISTER OF MEMBERS

For determining Shareholders' eligibility to attend and vote at the AGM 2013:

Latest time to lodge transfer documents for registration	4:30p.m. on 31 May 2013
Closure of register of members	3 to 7 June 2013 (both dates inclusive)
Record date	7 June 2013

For determining Shareholders' entitlement to the final dividend:

Latest time to lodge transfer documents for registration	4:30p.m. on 14 June 2013
Closure of register of members	17 to 20 June 2013 (both dates inclusive)
Record date	20 June 2013

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong
Phone: +852 2862 8628 Fax: +852 2865 0990

March 2013

Mo	Tu	We	Th	Fr	Sa	Su
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

○ Key date

June 2013

Mo	Tu	We	Th	Fr	Sa	Su
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

○ Key Date

Corporate Information

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 AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISORS

Kirkland & Ellis
Sit, Fung, Kwong & Shum Solicitors

COMPLIANCE ADVISOR

Celestial Capital Limited

INVESTOR RELATIONS CONSULTANT

PR Concepts Asia Limited

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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No. 26 Harbour Road, Wanchai
Hong Kong

HONG KONG SHARE REGISTRAR

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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
P.O. Box 2681, Grand Cayman, KY1-1111
Cayman Islands

WEBSITES TO ACCESS COMPANY INFORMATION*

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

STOCK CODE ON MAIN BOARD OF THE STOCK EXCHANGE

1115

* contents of the websites do not form part in this Annual Report

Chairman's Statement

Dear Shareholders,

Our brand "5100 Tibet Glacier Spring Water", is a leading brand in the fast-growing premium bottled mineral water market in China.

I am pleased to present the Annual Report ("Annual Report") of Tibet 5100 Water Resources Holdings Ltd. (the "Company", and together with its subsidiaries, the "Group") for the year ended 31 December 2012.

As an active participant in the fast-growing premium bottled mineral water market in the Peoples' Republic of China (the "PRC" or the "China"), the Group strived to leverage the strengths of 5100 Tibet Glacier Spring Water in terms of quality, positioning, promotion and distribution to deliver a better performance during the year under review. The Group's revenue for the year ended 31 December 2012 reached RMB682 million, an increase of 8% as compared to last year, and profit attributable to owners of the Company grew by 10% to RMB411 million.

THREE MARKETING STRATEGIES TO BOOST SALES

The Group continued to record considerable business growth in 2012, which was attributable to its successful marketing strategies. With its origin in Tibet and characterised by high quality, pure and natural, 5100 Tibet Glacier Spring Water is positioned as a premium product, and we selectively formulated three marketing strategies.

First, the Group cooperated with railway transportation service providers and airlines to make 5100 Tibet Glacier Spring Water available to passengers of high-speed trains, "Hexiehao" trains (collectively "CRH Trains") and airplanes, through which the Group has established its reputation among these passengers. Apart from direct exposure to passengers of CRH Trains and airlines, the Group also attracted and established long-term relationship with a large number of renowned institutional customers such as CCB International, ICBC International, China Mobile, China Post, BP-PetroChina Fuels JV and CNPC, and successfully optimised and consolidated the Group's customer base.

Another marketing strategy of the Group is to gain exposure to more government and business customers and deliver its brand philosophy through sponsoring large events and activities such as government meetings, business conferences and sports events. In 2012, 5100 Tibet Glacier Spring Water became the official drinking water of The National People's Congress, the Chinese People's Political Consultative Conference and the Eighteenth National Congress of the Communist Party of China, and was selected as the designated drinking water of "2012 Tianjin Summer Davos Forum" (2012天津夏季達沃斯論壇) and important business conferences including the fifth International CEO Roundtable of Chinese and Foreign Multinational Corporations (第五屆跨國公司領袖圓桌會議). The Group also sponsored major domestic golf games through naming the 5100 Golf Players Tour in order to promote its philosophy of "Natural Green Life, 5100-GOLF" (自然綠生活,5100-GOLF).

Furthermore, the Group put considerable efforts into promoting through its retail channels by conducting marketing and promotional activities at its end points of sale to enhance consumers' understanding of its brand philosophy and their awareness of its products. For instance, it conducted promotional activities at many department stores, supermarkets, shopping malls, hotels, restaurants and night entertainment venues with the themes of "Go Tibet when your heart is thirsty" (心靈渴了去西藏) and "Journey to discover Tibet's mysteries" (西藏探秘發現之旅).

CUSTOMER MIX CONTINUED TO BE OPTIMISED AS RETAIL SALES GREW

With effective marketing strategies, the Group successfully expanded its distribution network and recorded sales growth of sales from both institutional customers and retail channels in 2012.

CNPC are among its new institutional customers. As for retail customers, the Group has gradually expanded and deepened its six major distribution channels, including (i) department stores and supermarkets; (ii) hotels; (iii) high-end restaurants; (iv) entertainment venues such as night clubs and bars; (v) golf clubs and private clubs; (vi) others, including cinemas, speciality shops at airport and tourist attractions, etc. The Group has optimised its customer base and has managed to develop the high-end retail market.

Moreover, the Group continued to expand its retail business by marketing water cards to provide delivery services within 48 hours of 5100 Tibet Glacier Spring Water through express delivery companies. In June 2012, the Group's distributors and 12 famous domestic online shopping websites announced the establishment of Tibet 5100 E-commerce Alliance (西藏5100電商聯盟) to sell water cards, which has become a new source of retail sales for the Group.

ACQUIRE BEER OPERATIONS TO DIVERSIFY BUSINESS

In late 2012, the Group acquired 35% equity interests in Tibet Tiandi Green Beverage Development Co., Ltd.（西藏天地綠色飲品發展有限公司）("Tiandi Green") in order to bring new opportunities for its future business growth. Tiandi Green is principally engaged in the research and development, manufacture and sales of a specialty Tibetan Plateau highland barley beer, which is unique in nature, in China. The features of Tiandi Green's brand and products coincide with the Group's long-term development strategies. The acquisition will enable the Group to develop new business in China's specialty beverage industry and diversify our product offerings, and will also assist Tiandi Green in improving its market share by utilising the Group's transportation network and our strengths in marketing. The Group's profit base will be broadened through the acquisition.

A NUMBER OF AWARDS IN RECOGNITION OF OUR CAPABILITY

As the Group's businesses grew rapidly in recent years, we have received wide recognition for our capability. In 2012, we were recognised as the Most Valuable Listed Company at the selection of China Securities Golden Bauhinia Awards. Furthermore, 5100 Tibet Glacier Spring Water enjoyed expanding its good reputation overseas, evidenced by the fact that it was the only PRC brand invited to attend the ninth World Bottled Water Conference in Barcelona, Spain. At such conference, management of the Group gave a speech and discussed the development trend of the global bottled water industry with the world's bottled water giants including Coca-Cola, Nestle, Danone and etc.

PAY BACK TO SOCIETY AND PARTICIPATE IN COMMUNITY DEVELOPMENT

While striving for business growth, the Group also actively participated in community activities in different areas to contribute to continuous social development. The Group has established a "hematopoietic" model for assistance in Tibet, whereby it aims to assist local residents in developing local industries and improving their employment in order to reduce their reliance on financial support from the government. The Group also helped to establish primary schools in Dangxiong County, which has paved the way for local economic growth. In addition, the Group is a founding member of the Samaranch Sports Development Fund (薩馬蘭奇體育發展基金會). The purpose of which is to promote the spirits of Olympics and continue to facilitate the development of PRC sports and cultural causes.

OUTLOOK

Going forward, we will continue to develop our business by launching new packaging and establishing and promoting the brand philosophy of "5100". Targeting the demand of high-end restaurants and entertainment venues and the export market, the Group is expanding its production line of 30,000 tonnes glass bottles for 5100 Tibet Glacier Spring Water, which is undergoing commissioning. We believe the new packaging will enhance the grading of our product and highlight the high-end image for our brand.

By adhering to its three major marketing strategies, the Group will also consolidate its traditional strengths to raise sales to institutional customers, and expand retail channels to capture the opportunities brought by different distribution channels and the growth of online shopping through water cards and competitive e-commerce platform. Meanwhile, the Group will also increase its production capacity and improve its quality control and logistics network development. We believe that through the marketing synergies of 5100 Tibet Glacier Spring Water and Tibetan Plateau highland barley beer, we will enhance our business competitiveness, consolidate our leading position in the market, establish and develop the Group's brand image and maximise the return to Shareholders.

ACKNOWLEDGEMENT

Finally, I would like to take this opportunity to express gratitude to all Shareholders, acquaintances in the banking and investment sectors and business partners for their support, as well as appreciation to the entire staff of the Group for their dedicated efforts, contributing to the strong growth and excellent performance of our business in the past year.

Yu Yiping Wallace
Chairman

Hong Kong
22 March 2013

Financial Highlights

	Year ended 31 December		
	2012	2011	Change
Revenue (RMB million)	**682**	633	↑ 8%
Profit attributable to the owners of the Company (RMB million)	**411**	373	↑ 10%
Earnings per share			
– Basic and diluted (RMB cents)	**15.99**	16.18	↓ 1%
Sales Volume (in tonnes)	**83,846**	87,443	↓ 4%
Gross profit margin	**81%**	79%	↑ 3%
Average selling price per tonne (RMB'000)	**8.1**	7.2	↑ 13%

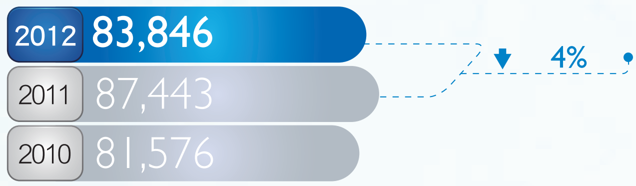
	As at 31 December 2012 (RMB million)	2011 (RMB million)	Change
Total assets	2,643	2,036	↑ 30%
Equity attributable to owners of the Company	2,202	1,854	↑ 19%

Revenue (RMB million)

Profit attributable to owners of the Company (RMB million)

Earnings per share - basic and diluted (RMB cents)

Sales volume (in tonnes)



Gross profit margin (%)

Management Discussion and Analysis


TIBET SPRING
NATURAL GLACIAL MINERAL WATER
5100
曲玛弄
西藏冰川矿泉水
净含量:500毫升
西藏海拔5100米水源地封装

BUSINESS REVIEW

In 2012, we continued our endeavors in supplying high quality products and premium services to our clients, and as such 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) to strengthen our traditional advantages, continuous development of new institutional clients and endeavor to increase the sales volume from institutional clients;

(2) to accelerate our expansion of retail channels and endeavor to increase the number of distributors, distributing cities and outlets and increasing the sales capacity of each outlet;

(3) to increase our advertising and promotional activities and branding publicity; and

(4) to improve our productivity and quality control management.

In 2012, our retail channel developed rapidly. The share of revenue in retail channel distribution increased from 14% in 2011 to 28% in 2012.

The scope of our retail sales channel was extended from 35 cities at the end of 2011 to 61 cities as at the date of this Annual Report. The number of distributors increased from 132 at the end of 2011 to 190 as at the date of this Annual Report, and the number of sales outlets increased from 4,102 at the end of 2011 to 6,634 as at the date of this Annual Report.

Our 5100 Tibet Glacier Spring Water ("5100 Glacier Water") bottled water redemption card ("Water Card") business also had a rapid growth and its share in total revenue increased from 12% in 2011 to 17% in 2012, and continued to be our profit growth engine in the innovative business.

In 2012, we have continued to establish business relationship with new institutional clients and improved the sales volume from existing institutional clients, as a result of which our institutional client base has become more diverse, and the Group's dependence on individual clients has been further reduced.

FINANCIAL REVIEW

In 2012, total sales of the Group amounted to RMB682 million, representing an 8% increase from the total sales of RMB633 million in 2011.

By continuing to optimize the structure of our client base, the Group has successfully increased its gross profit margin to 81% in 2012 from 79% in 2011.

REVENUE

In 2012, total sales of the Group amounted to RMB682 million, representing an increase of RMB49 million compared to the revenue of RMB633 million in 2011. In 2012, the sales to China Railway Express Co., Ltd. ("CRE") amounted to 47% of our total sales, representing a decrease of 15% from 62% in 2011.

Despite having a 4% drop in total sales volume compared to 2011, due to the increase in average selling price, the total revenue of the Group in 2012 increased by 8% compared to 2011. In 2012, the average selling price of the Group's products increased significantly from RMB7,241 per tonne in 2011 to RMB8,135 per tonne in 2012. The increase in the average selling price was mainly due to the sales growth from non-CRE institutional clients and traditional retail operation channels (owned by third parties), as well as from optimizing our product mix.

SALES VOLUME

In 2012, total sales volume amounted to 83,846 tonnes, representing a decrease of 4% compared to 87,443 tonnes in 2011. Although the sales volume of bottled mineral water supplied to CRE decreased from 60,816 tonnes in 2011 to 50,000 tonnes in 2012, during 2012, sales generated from non-CRE institutional clients and traditional retail operation channels (owned by third parties), have significantly increased. In 2012, total sales volume generated from non-CRE institutional clients and traditional retail operation channels (owned by third parties) increased by 7,219 tonnes from 26,627 tonnes in 2011 to 33,846 tonnes in 2012, representing a growth rate of 27%.

OTHER NET GAINS

Other net gains mainly included government grants, which were recognised at their fair value based on reasonable assurance that such grants would be received and the Group would comply with all attached conditions. In 2012, government grants amounted to RMB101 million, representing a decrease of 4% compared to RMB105 million in 2011. Government grants as a percentage of revenue decreased to 15% in 2012 from 17% in 2011. Compared to 2011, such percentage decrease was mainly attributable to the time differences in receiving the relevant government grants.

As our main production processes are carried in Tibet, we enjoy the relevant government grants from time to time. The amount of grants we received from the government of Tibet was made largely with reference to our fiscal contribution to the local economic development as a major tax payer and employer in Tibet.

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 applied 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 RMB17 million or 21% from RMB82 million in 2011 to RMB99 million in 2012. The effective tax rate in 2012 was 19%, which was higher than that of 18% in 2011. The increase in effective tax rate was primarily due to the increase in the amount of withholding tax incurred from the proposed distributing profit from PRC subsidiaries to their overseas holding companies.

PROFIT FOR THE YEAR

In 2012, sales volume and distribution costs decreased slightly by 4% and 6%, respectively, compared to 2011. Administrative expenses increased by RMB15 million mainly due to the incurrence of operating expenses of a newly established holding company, and government grants decreased by RMB4 million compared to 2011. Notwithstanding the above, the net profits for 2012 amounted to RMB411 million, still representing an increase of RMB38 million or 10% from 2011. Such increase was mainly attributable to the increase in the average selling price of bottled water per tonne in 2012, along with finance income which mainly included bank interest income, of which, increased by RMB15 million compared to 2011.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company increased by RMB38 million, or 10%, from RMB373 million in 2011 to RMB411 million in 2012, which was in line with the growth in net profits, during the relevant reporting period.

FINANCIAL POSITION

As at 31 December 2012, inventories of the Group amounted to RMB15 million compared to RMB22 million as at 31 December 2011. The decrease was mainly attributable to the effective management of the storage quantity of raw materials.

As at 31 December 2012, trade receivables of the Group amounted to RMB340 million compared to RMB356 million as at 31 December 2011. The trade receivables of RMB340 million comprised receivables from one major client amounted to RMB320 million, of which RMB150 million was collected before 22 March 2013.

As at 31 December 2012, prepayments (including current and non-current) of the Group amounted to RMB20 million compared to RMB37 million as at 31 December 2011. The decrease was mainly attributable to the decrease in the prepayments for raw materials of RMB15 million.

As at 31 December 2012, other receivables of the Group amounted to RMB21 million compared to RMB40 million as at 31 December 2011. The decrease was mainly attributable to the collection of a receivable of RMB17 million previously generated from the disposal of production equipment.

As at 31 December 2012, the total of pledged and term deposits and cash and cash equivalents of the Group amounted to RMB1,339 million compared to RMB1,293 million as at 31 December 2011. The increase was mainly attributable to the cash generated from operations in 2012, after using portions of which in purchasing machinery, investing in an associate and paying dividends in June 2012.

As at 31 December 2012, deferred income tax liabilities of the Group amounted to RMB17 million compared to RMB10 million as at 31 December 2011. The increase was mainly attributable to the increase in proposed distributing profit from PRC subsidiaries to their overseas holding companies.

As at 31 December 2012, trade payables of the Group amounted to RMB59 million compared to RMB49 million as at 31 December 2011. The increase was mainly attributable to the fluctuations in production in the fourth quarter of 2012, resulting in a significant increase in the payables for transportation costs incurred.

As at 31 December 2012, deferred revenue and advances received from customers of the Group amounted to RMB22 million compared to RMB41 million as at 31 December 2011. Deferred revenue relating to unredeemed effective Water Card decreased by RMB9 million and advances received from customers decreased by RMB10 million, leading to an overall decrease in the total amount of deferred revenue and advances received from customers.

As at 31 December 2012, enterprise income tax payable of the Group amounted to RMB23 million compared to RMB10 million as at 31 December 2011. The increase was mainly attributable to an increase of enterprise income tax payable in the fourth quarter of 2012.

As at 31 December 2012, accruals and other payables of the Group amounted to RMB308 million compared to RMB60 million as at 31 December 2011. Compared to 31 December 2011, although value-added tax and other taxes payable decreased by RMB9 million and government grant received in advance decreased by RMB9 million, the total amount of accruals and other payables still increased, which was mainly attributable to the increase in the amounts of accrued transportation costs of RMB36 million and of a payable of RMB224 million for investing in an associate.

The Group's net current assets and net assets as at 31 December 2012 were RMB1,317 million and RMB2,202 million, respectively; and net current assets and net assets as at 31 December 2011 were RMB1,575 million and RMB1,854 million, respectively. Although earnings increased significantly, the net current assets still decreased, which was mainly attributable to the Group investing in an associate of RMB595 million, paying dividends of RMB63 million, and purchasing machinery and equipment of RMB41 million. The increase in net assets was mainly due to the increase in earnings.

EMPLOYEES

As at 31 December 2012, the total number of employees for the Group was approximately 328 compared to 335 as at 31 December 2011. Relevant staff cost was RMB43 million in 2012, while our staff cost was RMB37 million for 2011. 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 31 December 2012 and as at 31 December 2011, the Group did not have any loan borrowings, thus the gearing ratio is not applicable.

MERGER AND ACQUISITION

The Group signed agreements in respect of the acquisition of 35% equity interests in Tiandi Green on 5 December 2012. It was the Group's strategy to increase the Group's capital investment in Tibet, to expand our new business presence in the Chinese specialty beverage industry and to aim to diversify our product offerings through this acquisition, thereby broadening our profit base. The Company believes the acquisition of the equity interests in Tiandi Green was complementary to our existing business. Please refer to the Company's announcements dated 5 December and 13 December 2012 for further details.

Please refer to the Company's announcement dated 10 April 2013 for details of the proposed acquisition of additional equity interests in Tiandi Green.

SIGNIFICANT INVESTMENTS

In 2012, the Group acquired property, plant and equipment of approximately RMB41 million (in 2011: approximately RMB22 million). Regarding the future development and outlook of the Group, please refer to the section headed "Outlook" of this Annual Report.

CAPITAL COMMITMENTS

The capital commitments related to property, plant and equipment of the Group as at 31 December 2012 was nil (as at 31 December 2011: RMB28 million).

CHARGES

As at 31 December 2012 and 31 December 2011, the Group did not have any asset charges.

CONTINGENT LIABILITIES

As at 31 December 2012 and 31 December 2011, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE RISK

The Group employs 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. The Group is exposed to foreign exchange risk arising from exposure of HKD against RMB. The Group has not used any forward contracts or currency borrowings to hedge its foreign exchange risk. Cash was generally placed in short-term deposits and term deposits denominated in HKD and RMB.

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 financial statements.

By reference to the property valuation set out in note 4 of Appendix II-A of the Company's prospectus dated 20 June 2011 ("Prospectus"), a revaluation surplus of approximately RMB3,947,000 was recorded in respect of the property interests of the Group as at 31 March 2011. Would the property be stated at that valuation, the depreciation charge per annum would have increased by approximately RMB130,000.

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 HKD1,472 million (including proceeds from the exercise of over-allotment option and after deducting underwriting commissions and related expenses). The net proceeds have been allocated in the following manner:

Purpose of net proceeds	Percentage	Amount of net proceeds *HKD'Million*
Expand our production capacity by constructing additional facilities and purchasing additional production equipment	30%	442
Expand our distribution network and toward promotional activities	25%	368
Mergers and acquisitions that complement our existing business	35%	515
Working capital and other general corporate purposes	10%	147
	100%	1,472

As at 31 December 2012, the Group has utilized net proceeds amounted to HKD31 million, HKD8 million, HKD233 million and HKD41 million (i) for expanding our production capacity; (ii) for expanding our distribution network and towards promotional activities; (iii) for mergers and acquisitions that complement our existing business; and (iv) as working capital and for other general corporate purposes, respectively. The remaining net proceeds were deposited in reputable financial institutions.

Please refer to the announcement of the Company dated 10 April 2013 for the subsequent change in use of proceeds from global offering.

OUTLOOK

In 2013, we shall continue to maintain close cooperation with the distributors and to put more resources to develop the retail sales network, including hotels and restaurants, chain cinema operators and airports, across the different regions in China to promote the 5100 Glacier Water. In particular, an e-business platform established for selling the Water Card via the internet and the building of the retail sales network in eastern and southern regions of China will be reinforced to further enhance our market penetration.

Furthermore, we also plan to launch more new products by leveraging on the famous brand of 5100 Glacier Water to enhance the sources of income. The Group has targeted at higher product positioning and exporting demand. The production of glass bottled 5100 Glacier Water is arranging, aiming to enhance the product grading and to stimulate sales. While the Group continues to implement the aforesaid four major business development strategies, the Group will also actively integrate our existing resources to increase synergies and competitive advantages of the Group's operations, consolidate the market leading position and maximize the return to shareholders of the Company.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Yu Yiping Wallace, aged 57, is the chairman and an executive Director of our Company. Mr. Yu has been an executive Director of our Company since 8 November 2010. Mr. Yu is the co-founder of our Group and has been responsible for the overall business development and strategic planning of our Group. Mr. Yu has over 28 years of experience in business management, trading and investment. Mr. Yu graduated from the University of International Business and Economics (對外經濟貿易大學) with a bachelor degree in Economics. Mr. Yu later received a master degree from the University of British Columbia in Education.

Mr. Fu Lin, aged 48, is an executive Director and the chief executive officer of our Company and was appointed to the Board of Directors of the Company (the "Board") on 1 March 2011. Mr. Fu has over 19 years of experience in business and capital operation and is responsible for the overall management, business and strategic planning of our Group. Mr. Fu graduated from Peking University (北京大學) with a bachelor degree in Economics. Mr. Fu studied at the Graduates School of Chinese Academy of Social Sciences (中國社會科學院) and was awarded with a master degree in Economics; Mr. Fu also attended an advanced management program at Harvard Business School, which focused on skills in leading an organization.

Mr. Yue Zhiqiang, aged 47, is an executive Director of our Company and was appointed to the Board on 1 March 2011. Mr. Yue has over 25 years of experience in mechanical engineering and manufacturing plant operation, and is the general manager of our subsidiary company, Tibet Glacier Mineral Water Co. Ltd. Mr. Yue studied at Shandong University of Technology (山東工業大學) (now combined into Shandong University (山東大學)) in Machinery Production and obtained a bachelor degree. Mr. Yue was appointed as the director of Tiandi Green on 25 December 2012.

Ms. Mou Chunhua, aged 49, is an executive Director of our Company and was appointed to the Board on 1 March 2011. Ms. Mou has over 15 years of experience in business management, investment, merger and acquisition and financial management. She is primarily responsible for our Group's management, business development, strategic planning and major decision making. Ms. Mou graduated from Southwest Jiaotong University (西南交通大學) with a master degree in Transportation Management Engineering. Ms. Mou was appointed as the director of Tiandi Green on 25 December 2012.

Mr. Liu Chen, aged 29, is an executive Director and authorized representative of our Company and was appointed to the Board on 1 March 2011. Prior to joining our Group, Mr. Liu gained experience in the areas of law and accounting. Mr. Liu graduated from York University, Canada, with a bachelor of arts degree. Mr. Liu also studied full-time at McMaster University, Canada, and obtained a master degree in Business Administration.

Non-Executive Director

Ms. Jiang Xiaohong, aged 55, is a non-executive Director of our Company and was appointed to the Board on 1 March 2011. Ms. Jiang is also the vice general manager of our subsidiary company, Tibet Glacier Mineral Water Co. Ltd., and is responsible for the operation, quality control, equipment and production site management. She has over 25 years of experience in operational management. She graduated from Xinjiang Vocational University (新疆職工大學) with a diploma in Economic Management, then from Jiangnan University (江南大學) (formerly known as Wuxi University of Light Industry (無錫輕工大學) with a diploma of Brewery Engineering, and from Xinjiang University (新疆大學) with diploma of Analytical Chemistry.

Independent Non-Executive Directors

Mr. Jesper Bjoern Madsen, aged 58, joined our Group and was appointed as an independent non-executive Director of our Company on 1 March 2011. He is the chairman of the nomination committee and also a member of the audit committee and remuneration committee of our Company.

Mr. Madsen has been working with the Carlsberg A/S Group for over 20 years. He has had the positions as the vice president responsible for overseas investments and markets, general manager and managing director of Carlsberg Brewery Hong Kong Ltd and Chief Operating Officer of Carlsberg Asia Pte Ltd. Mr. Madsen was the senior vice president of Carlsberg Breweries A/S with responsibility for Asia, among other markets. Mr. Madsen was during his tenure as the said senior president also a non-executive chairman, non-executive vice chairman or non-executive director in a number of Carlsberg's subsidiaries in Asia. Mr. Madsen obtained a master degree in Law from Copenhagen University, Denmark and later studied Scottish/English Law at the University of Edinburgh, Scotland.

Mr. Lee Kong Wai, **Conway**, aged 58, joined our Group and was appointed as an independent non-executive Director of our Company on 1 March 2011. He is the chairman of the remuneration committee and also a member of the audit committee and nomination committee of our Company.

Mr. Lee served as a partner of Ernst & Young for many years and held key leadership positions in the development of such firm in China. Mr. Lee is a member of the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants in Australia, the Association of Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Macau Society of Certified Practising Accountants. Mr. Lee was appointed as a member of the Chinese People's Political Consultative Conference of Hunan Province (中國湖南省政協委員) in China since 2007. Mr. Lee received a Bachelor of Arts degree in Business Studies from Kingston University (formerly known as Kingston Polytechnic) in London and further obtained his postgraduate diploma in Business from Curtin University of Technology in Australia.

Mr. Lee currently also serves as an independent non-executive director of the following companies listed in Hong Kong and China:

Name of Listed Company	Stock Code	Place of Listing
Chaowei Power Holdings Limited	951	Main Board of the Stock Exchange
China Modern Dairy Holdings Ltd.	1117	Main Board of the Stock Exchange
China Taiping Insurance Holdings Company Limited	966	Main Board of the Stock Exchange
CITIC Securities Company Limited	6030	Main Board of the Stock Exchange
CITIC Securities Company Limited	600030	Shanghai Stock Exchange
GOME Electrical Appliances Holdings Limited	493	Main Board of the Stock Exchange
NVC Lighting Holding Limited	2222	Main Board of the Stock Exchange
West China Cement Limited	2233	Main Board of the Stock Exchange

Mr. Wei Cheng, Kevin, aged 45, joined our Group and was appointed as an independent non-executive Director of our Company on 1 March 2011. He is the chairman of the audit committee and also a member of the remuneration committee and nomination committee of our Company.

Mr. Wei has served as chief financial officer since December 2007 and has served as director since November 2008 of IFM Investments Limited (stock code CTC), a New York Stock Exchange listed company headquartered in Beijing. From 2006 to 2007, Mr. Wei served as the chief financial officer of a Chinese solar company listed on Nasdaq. From 1999 to 2005, Mr. Wei worked in the internal audit and risk management functions with Asia Pacific regional or global coverage for multinational companies including LG Philips Displays International Ltd. (2003 to 2005) headquartered in Hong Kong. From 1991 to 1999, Mr. Wei worked with KPMG LLP and Deloitte Touche LLP in various audit and consulting roles between United States of America and China. Mr. Wei graduated from Central Washington University, where he received his bachelor's degree (cum laude) with a double major in accounting and management information systems. He is also a member of the American Institute of Certified Public Accountant.

So far as the Company is aware, none of the Directors have any relationship (including financial, business, family or other material/relevant relationship) with each other.

Corporate Governance Report

CORPORATE GOVERNANCE CODE

The Board is accountable to the Shareholders for good corporate governance. Accordingly, the Board has considered carefully the requirements of the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and as described below, has taken actions to further enhance corporate transparency and accountability.

The Board believes good corporate governance is one of the critical factors for achieving sustainable long-term success. The corporate governance principles of the Company emphasize on the importance of a quality Board and its accountability to Shareholders. We regularly review our corporate governance practices to ensure and maintain the long-term health of the Company.

Throughout the year ended 31 December 2012, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) contained in Appendix 14 to the Listing Rules.

BOARD OF DIRECTORS

The Board provides leadership and supervises the overall direction of the Group' s businesses. The Board comprises of nine Directors:

Executive Directors	5
Mr. Yu Yiping Wallace *(Chairman)*	
Mr. Fu Lin *(Chief Executive Officer)*	
Mr. Yue Zhiqiang	
Ms. Mou Chunhua	
Mr. Liu Chen	
Non-executive Director	1
Ms. Jiang Xiaohong	
Independent Non-executive Directors	3
Mr. Jesper Bjoern Madsen	
Mr. Lee Kong Wai, Conway	
Mr. Wei Cheng, Kevin	
	9

The list of Directors and their role and function is available from the Company's website. Their profiles are set out in the section headed "Profile of Directors and Senior Management" in this Annual Report.

Chairman and Chief Executive

The roles of the Chairman and the Chief Executive are separate and are assumed by Mr. Yu Yiping Wallace and Mr. Fu Lin, respectively. The Chairman's primary responsibilities include deciding on the meeting schedule and agenda, formulating Board policies, ensuring Board effectiveness, promoting the Company and upholding the Company's corporate governance standards. The Chief Executive has delegated authority from, and is responsible to, the Board for managing the Group's business, including the implementation of the strategies and initiatives adopted by the Board.

Operation of the Board

All the five executive Directors are responsible for dealing with the business of the Group in accordance with all applicable rules and regulations, including, but not limited to, the Listing Rules. All Directors (including non-executive Director and independent non-executive Directors) have been consulted on all major and material matters of the Group.

The Board supervises the management of the business and affairs of the Group, including convening Shareholders' meetings, reporting their work in the Shareholders' meeting, implementing the Shareholders' resolutions, determining the Group's business plans and strategies, formulating the Group's annual budget and final accounts, formulating proposals for dividend and bonus distributions and for the increase and reduction of share capital, and determining duties as conferred by the Articles of Association of the Company. In discharging its responsibilities, the Board meets regularly and acts in good faith, with due diligence and care.

The Board meets regularly to review financial statements, material investments in new projects, dividend policy, major financings, treasury policies and changes in accounting policies. All Directors have access to board papers and related materials which are provided in a timely manner. Directors have access to the advices and services provided by the company secretary of the Company (the "Company Secretary") with a view to ensure that the procedures applicable to Board meetings, and all applicable rules and regulations, are followed. Draft and final versions of the minutes of Board meetings and Board committee meetings, drafted in sufficient detail by the secretary of the meetings, would be circulated to the Directors for their comments and record. Originals of such minutes, being kept by the Company Secretary, are open for inspection at any time upon a reasonable notice period by any Director.

If a Director has a conflict of interest in a matter to be considered by the Board, the matters of which the Board determines to be material, the relevant Director will abstain from voting on the relevant Board resolution in which he/she or any of his/her associates have a material interest and that he/she shall not be counted in the quorum present at the Board meeting.

The number of independent non-executive Directors meets the requirements under the Listing Rules. The Company has received from each independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Directors are of the view that all independent non-executive Directors meet the independence requirements set out in Rule 3.13 of the Listing Rules.

Under the respective appointment letters, all the current non-executive Director and independent non-executive Directors are appointed for a period of three years from 1 March 2011 unless terminated in accordance with the terms of the appointment letters. Their appointment may be terminated either by the Company or by the Director by giving three months' written notice to the other party. All the current non-executive Director and independent non-executive Directors are subject to retirement by rotation and re-election at the coming annual general meetings of the Company in accordance with the Articles of Association of the Company.

At each annual general meeting, one-third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one-third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

The Board believes that the balance between executive and non-executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of the Shareholders and the Group. The non-executive Directors provide the Group with diversified expertise and experience. Their views and participation in Board and committee meetings bring independent judgement and advice on issues relating to the Group's strategies, performance, conflicts of interest and management process, and ensure that the interests of all Shareholders are taken into account. Two of the independent non-executive Directors possess the appropriate professional accounting qualifications or related financial management expertise, which exceeds the requirements under the Listing Rules.

Directors' Induction and Continuous Professional Development

On appointment to the Board, each newly appointed Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices. The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company and the Company Secretary have been encouraging the Directors and other management to enrol in a wide range of professional development courses and seminars relating to the Listing Rules, Companies Ordinance/act and corporate governance practices organized by professional bodies, independent auditors and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

From time to time, Directors are provided with written materials to develop and refresh their professional skills. The Company Secretary also coordinates to organise and arrange seminars on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties. During the year, seminar materials, articles and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements have been provided to Directors.

The Company Secretary has taken no less than fifteen hours of relevant professional training during the financial year ended 31 December 2012.

Delegation by the Board

There is a formal schedule of matters specifically reserved to the Board for its consideration and delegation. The Board has given clear directions to management as to matters that must be approved by the Board before decisions can be made on behalf of the Company.

To assist the Board in execution of its duties and to facilitate effective management, certain functions of the Board have been delegated by the Board to the Audit Committee (the "Audit Committee"), Remuneration Committee (the "Remuneration Committee") and Nomination Committee (the "Nomination Committee") of the Company which were established on 14 June 2011 with written terms of references in compliance with the Listing Rules. The adopted terms of references comply with the code provisions as set out in Appendix 14 to the Listing Rules.

Audit Committee

Members:	Mr. Wei Cheng, Kevin# *(Chairman)*
	Mr. Lee Kong Wai, Conway#
	Mr. Jesper Bjoern Madsen#

Remuneration Committee

Members:	Mr. Lee Kong Wai, Conway# *(Chairman)*
	Mr. Wei Cheng, Kevin#
	Mr. Jesper Bjoern Madsen#
	Mr. Yu Yiping Wallace
	Mr. Fu Lin

Nomination Committee

Members:	Mr. Jesper Bjoern Madsen# *(Chairman)*
	Mr. Wei Cheng, Kevin#
	Mr. Lee Kong Wai, Conway#
	Mr. Yu Yiping Wallace
	Mr. Fu Lin

independent non-executive Director

Audit Committee

The Audit Committee meets at least two times per annum. Its key responsibilities include:

a) to make recommendation to the Board on the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that external auditor;

b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

c) to monitor the integrity of financial statements of the Company and the Company's annual report and accounts, half-year and if prepared for publication, and to review significant financial reporting judgments contained in them; and

d) to review the Company's financial controls, internal controls and risk management systems.

All the three Audit Committee members are independent non-executive Directors. The Chairman of the Audit Committee possesses the relevant financial management expertise and experience. The committee members, together with our external auditor, met three times during 2012 and discharged their principal responsibilities by:

a) reviewing the interim results and final results of the Group and the relevant financial statements and reports prior to the approval by the Board and reviewing the external auditor's report and findings relating to the work that has been performed;

b) reviewing the external auditor's audit plan and terms of engagement for the work performed;

c) reviewing the independence and objectivity of the external auditor, and the non-audit service fee payable to the external auditor; and

d) reviewing the effectiveness of the internal control systems of the Group including financial control, operational control, compliance control and risk management.

Remuneration Committee

Its key responsibilities include:

a) to make recommendations to the Board on the Company's overall policy and structure on remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing such remuneration policy; and

b) to review and approve performance-based remuneration by reference to the corporate goals and objectives resolved by the Board from time to time.

During 2012, the Remuneration Committee has considered and reviewed the existing terms of remuneration of all the Directors and senior management. It is considered that the existing terms of remuneration of the Directors and senior management were fair and reasonable.

The Company has adopted the share option scheme (the "Scheme") on 7 September 2012. The purpose of the Scheme is to enable the Board, at its discretion, to grant options to selected eligible participants to motivate them and to optimise their performance and efficiency for the benefit of the Group. No share option was granted since the adoption of the Scheme on 7 September 2012.

Nomination Committee

Its key responsibilities include:

a) to review the structure, size and composition of the Board on a regular basis and make recommendations to the Board on any proposed changes;

b) to recommend the Board on matters relating to selection, appointment or reappointment of Directors and succession planning for Directors; and

c) to assess the independence of the independent non-executive Directors.

Two meetings have been held by the Nomination Committee during 2012 and the following work has been satisfactorily concluded:

a) reviewing the structure, size and composition of the Board; and

b) assessing the independence of the independent non-executive Directors.

The composition of the Board and the Board members' respective attendance in Board meeting, general meetings, the Audit Committee meeting, the Remuneration Committee meeting and the Nomination Committee meeting during the year ended 31 December 2012 are as follows:

	No. of meetings attended/held				
	Board meeting	General meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting
Executive Directors					
Mr. Yu Yiping Wallace	5/5	2/2	N/A	2/2	2/2
Mr. Fu Lin	5/5	2/2	N/A	2/2	2/2
Mr. Yue Zhiqiang	5/5	1/2	N/A	N/A	N/A
Ms. Mou Chunhua	5/5	1/2	N/A	N/A	N/A
Mr. Liu Chen	5/5	2/2	N/A	N/A	N/A
Non-executive Director					
Ms. Jiang Xiaohong	5/5	1/2	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. Jesper Bjoern Madsen	5/5	1/2	2/3	2/2	2/2
Mr. Lee Kong Wai, Conway	5/5	1/2	3/3	2/2	2/2
Mr. Wei Cheng, Kevin	5/5	1/2	3/3	2/2	2/2

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for the Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the requirements set out under the Model Code for the year ended 31 December 2012. Specific employees who are likely to be in possession of unpublished inside information have been requested to comply with the provisions of the Model Code. No incident of non-compliance has been noted by the the best knowledge of the Company.

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. Our internal control system includes a well-defined management structure with limits of authority which is designed for the achievement of business objectives, safeguarding assets against unauthorized use or disposition, ensuring proper maintenance of books and records for the provision of reliable and timely financial information for internal use or publication, and ensuring compliance with relevant legislations and regulations. In addition, the Group has established risk management procedures to identify and prioritise risks for the business to be addressed by management.

During the year ended 31 December 2012, the Board has supervised a review of the effectiveness of the internal control system and is satisfied with the scope of review and the effectiveness of the system.

MANAGEMENT FUNCTION

The management team of the Company meets regularly to review and discuss with the executive Directors on day-to-day operational matters, financial and operating performance as well as to monitor and ensure that the management is properly carrying out the directions and strategies pre-determined by the Board.

FINANCIAL REPORTING

The Directors acknowledge their responsibilities for keeping proper accounting books and records and preparing accounts for each financial year/period which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year/period and the profit and loss for the year/period. The Directors have adopted applicable International Financial Reporting Standards in all material respects, selected appropriate accounting policies and then applied them consistently, and have made judgments and estimates that they believe to be fair and reasonable. The Directors use a going concern basis in preparing the accounts unless it is not applicable.

The Board acknowledges that a clear, balanced and timely presentation of financial information is crucial in maintaining the confidence of Shareholders in the Company. Reasonable disclosure of Company's financial position and prospects are provided in the reports. Annual and interim results are published within three and two months after the end of the relevant financial year/period, respectively.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the section headed "Independent Auditor's Report" on pages 42 to 43 of this Annual Report.

SHAREHOLDER RELATIONS

The general meeting of the Company will provide a forum for effective communication with Shareholders. The Chairman of the Board and the sub-committees, or if he cannot be present, fellow Directors and other management members will be made available to answer questions at the general meetings.

Extensive information about the Group's activities is provided in this Annual Report, the interim report and circulars which are sent to Shareholders in a timely manner and are available on the Company's website (www.5100.net). Our website serves as a communication platform where company information including corporate profile, corporate governance materials, announcements, circular, business news and financial reports are available to the public. All Shareholders are encouraged to attend the general meetings of the Company to understand the business of the Group from the Directors and senior management in the general meeting.

The members of the Board will meet and communicate with Shareholders in the coming AGM 2013 which will be held on 7 June 2013. The notice of the AGM 2013 will be dispatched to all Shareholders not less than twenty clear business days. At the AGM 2013, the Chairman of the Board will demand for a poll and the Company's Hong Kong branch share registrar will be appointed as the scrutinees for the vote-taking.

SHAREHOLDERS' RIGHTS

Pursuant to the Company's Articles of Association, an extraordinary general meeting shall be convened on the written requisition of any two members of the Company deposited at the registered office specifying the objects of the meeting and signed by the Shareholders, provided that such Shareholders held at the date of deposit of the written requisition not less than one tenth of the paid up capital of the Company as at the date of deposit which carries the right of voting at general meetings of the Company. If the Directors do not within twenty-one days from the date of deposit of the requisition duly proceed to convene the meeting, the Shareholders themselves may convene the general meeting in the same manner, as nearly as possible, as those meetings which may be convened by the Directors, and all reasonable expenses incurred by the Shareholders as a result of the failure of the Directors in convening the said meeting shall be reimbursed to them by the Company.

There is no provision allowing Shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law or the Articles of Association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph. As regards the proposing of a person for electing as a Director, please refer to the procedures available on the websites of the Company.

Shareholders may at any time send their enquiries and concerns to the Board by mail in writing to the Company's principal place of business in Hong Kong at Room 3401, 34th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

EXTERNAL AUDITOR

The Audit Committee is mandated to review and monitor the independence of the external auditor to ensure objectivity and the effectiveness of the audit process of the financial statements in accordance with applicable standards. Members of the Audit Committee were of the view that the Company's external auditor, PricewaterhouseCoopers, is independent and recommended to the Board to re-appoint it as the Company's external auditor at the AGM 2013.

Annual audit fees of the financial statements of the Group for the year ended 31 December 2012 paid or payable to the external auditor are approximately RMB4.8 million (2011: RMB2 million). The Company incurred approximately RMB6.3 million for services provided by external auditor in connection with the listing of the Company's shares in 2011.

Directors' Report

The Directors are delighted to present their report together with the audited consolidated financial statements of Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 9 to the consolidated financial statements on page 72 of this Annual Report. There were no significant changes in the nature of the Group's principal activities during the financial year.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated income statement and statement of comprehensive income on pages 47 to 48 of this Annual Report.

The Directors recommend the payment of a final dividend of HK$6 cents per share (which is equivalent to approximately RMB4.85 cents per share) to the Shareholders of the Company whose names are listed in the register of members on 20 June 2013, amounting to approximately RMB125 million, and the retain of the remaining profit for the year of approximately RMB671 million.

FIXED ASSETS

Details of the movements during the year in the land use rights and property, plant equipment of the Group are set out in notes 7 and 8 to the consolidated financial statements respectively to as set out on pages 70 to 72 of this Annual Report.

SHARE CAPITAL

Details of the movements during the year in share capital of the Company are set out in note 18 to the consolidated financial statements on 83 of this Annual Report.

The Company has adopted the share option scheme (the "Scheme") on 7 September 2012. The purpose of the Scheme is to enable the Board, at its discretion, to grant options to selected eligible participants to motivate them and to optimise their performance and efficiency for the benefit of the Group. No share option was granted since the adoption of the Scheme on 7 September 2012.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the Companies Law, Cap. 22 (law 3 of 1961, as consolidated and revised) of the Cayman Islands, the Company's place of incorporation.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2012, the distributable retained earnings of the Company amounted to RMB17 million (31 December 2011: RMB0.2 million). As at 31 December 2012, the share premium of the Company, amounted to RMB1,207 million (31 December 2011: RMB1,207 million), is distributable to Shareholders subject to the solvency test and the sanction of an ordinary resolution.

FINANCIAL INFORMATION SUMMARY

A summary of the results and assets and liabilities of the Group for the past four financial years, as extracted from the audited consolidated financial statements and the Prospectus, is set out on page 102 in this Annual Report. The summary does not form part of the audited financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the financial year.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors
Mr. Yu Yiping Wallace
Mr. Fu Lin
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

In accordance with the provision of the Company's Articles of Association, Mr. Yu Yiping Wallace, Ms. Mou Chunhua and Mr. Jesper Bjoern Madsen retire at the forthcoming AMG 2013 and, being eligible, offer themselves for re-election.

DIRECTORS' PROFILES

The profiles of the Directors are set out on pages 26 to 27 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has a service contract with the Company for a fixed term of three years with the commencement date on their respective date of appointment.

No Director proposed for re-election at the forthcoming AGM 2013 has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 31 December 2012, none of the Directors 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 Securities and Futures Ordinance (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.

DISCLOSEABLE INTERESTS OF SHAREHOLDERS UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 31 December 2012, 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	1,110,572,000 shares	43.23%
Maple Essence Investments Limited (Note 2)	Long position	Interest of controlled corporation	1,110,572,000 shares	43.23%
True Asset Holdings Limited (Note 3)	Long position	Interest of controlled corporation	1,110,572,000 shares	43.23%
Mr. Wang Peter Jian (also known as Mr. Wang Jian Peter) (Note 3 & 4)	Long position	Interest of controlled corporation	1,110,572,000 shares	43.23%
Hongkong Raventon Company Limited (Note 5)	Long position	Beneficial owner	236,722,000 shares	9.21%
Mr. Ye Shunjian (Note 5)	Long position	Interest of controlled corporation	236,722,000 shares	9.21%
Schroder Investment Management (Hong Kong) Limited (Note 6)	Long position	Investment manager	165,494,000 shares	6.44%
Schroder International Holdings (Bermuda) Limited (Note 6)	Long position	Interest of controlled corporation	165,494,000 shares	6.44%
Schroder Holdings (Bermuda) Limited (Note 6)	Long position	Interest of controlled corporation	165,494,000 shares	6.44%
Schroder International Holdings Limited (Note 6)	Long position	Interest of controlled corporation	165,494,000 shares	6.44%
Schroder Administration Limited (Note 6)	Long position	Interest of controlled corporation	165,494,000 shares	6.44%
Schroders Plc (Note 6)	Long position	Interest of controlled corporation	165,494,000 shares	6.44%

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 1,110,572,000 shares in the Company.

(2) Maple Essence Investments Limited holds 98.67% equity interest in Tibet Water Resources Limited and is therefore deemed to be interested in the 1,110,572,000 shares in the Company. Maple Essence Investments Limited is held as to 90% by True Asset Holdings Limited and as to 10% by Eminent Partner Limited. True Asset Holdings Limited is wholly owned by Mr. Wang Peter Jian while Eminent Partner 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) True Asset Holdings Limited holds 88.8% equity interest in Tibet Water Resources Limited through Maple Essence Investments Limited. Therefore, True Asset Holdings Limited is deemed to be interested in 1,110,572,000 shares in the Company.

(4) True Asset Holdings Limited is wholly-owned by Mr. Wang Peter Jian. Therefore, Mr. Wang Peter Jian is deemed to be interested in 1,110,572,000 Shares in the Company in which Tibet Water Resources Limited is interested. For the purpose of the SFO, the spouse of Mr. Wang Peter Jian is taken to have a duty of disclosure in Hong Kong in relation to the said 1,110,572,000 Shares. The interest disclosed by the spouse of Mr. Wang Peter Jian is that of Mr. Wang Peter Jian which is attributed to her pursuant to the SFO for disclosure purposes. Nevertheless, she has no interest, legal or beneficial, in those shares.

(5) Hongkong Raventon Company Limited is owned as to 85% by Mr. Ye Shunjian.

(6) Schroder Investment Management (Hong Kong) Limited is wholly owned by Schroder International Holdings (Bermuda) Limited, which is in turn wholly owned by Schroder Holdings (Bermuda) Limited, which is in turn wholly owned by Schroder International Holdings Limited, which is in turn wholly owned by Schroder Administration Limited, which is in turn wholly owned by Schroders Plc.

Save as disclosed above, as at 31 December 2012, the Directors and the chief executive of the Company were not aware of any other person (other than Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the financial year had the Company or any of its subsidiaries entered into any arrangement which enables the existing Directors or chief executive to have the right to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other legal entities.

RETIREMENT BENEFITS SCHEMES

Other than operating a Hong Kong Mandatory Provident Fund Scheme and participating in the state managed retirement benefit scheme in the PRC, the Group has not operated any other retirement benefits schemes for the Group's employees.

EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the financial year and up to the date of this report, no Director is considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, as defined in the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the financial year, sales to the Group's five largest customers and purchases from the five largest suppliers accounted for approximately 73% and 79% of the total sales and total purchases for the year, respectively. The Group's largest customer and supplier accounted for approximately 47% and 44% of the total sales and total purchases for the financial year, respectively.

During the financial year, none of the Directors or any of their associates or any Shareholders which, to the best knowledge of the Directors, owned more than 5% of the Company's issued share capital, had any interest in the Group's five largest customers and suppliers.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent of the Company pursuant to the Listing Rules.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The use of proceeds from the Company's initial public offering are set out on page 24 of this Annual Report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float of not less than 25% of its Shares in the hands of the public in accordance with the Listing Rules as at the latest practicable date of the issue of this Annual Report.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to approximately RMB6.2 million (2011: approximately RMB0.8 million).

AUDIT COMMITTEE

The Audit Committee of the Company had reviewed the Group's annual results for the year ended 31 December 2012 and provided advices and comments thereon.

EXTERNAL AUDITOR

The consolidated financial statements for the year ended 31 December 2012 were audited by PricewaterhouseCoopers, who will retire at the conclusion of the forthcoming AGM 2013 and, being eligible, will offer itself for re-appointment.

CONNECTED TRANSACTIONS

The transactions summarized in note 35 to the consolidated financial statements for the year ended 31 December 2012 also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. As those transactions were all de minimis transactions, they were exempt from all the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CHANGES IN INFORMATION OF DIRECTORS

The changes in information of Directors subsequent to the latest publication of the Company are set out below:

Mr. Yu Yiping Wallace

- Director's salary increased to HK$137,500 per month with effect from January 2013.

Mr. Yue Zhiqiang

- Appointed as the director of Tiandi Green on 25 December 2012.

Ms. Mou Chunhua

- Appointed as the director of Tiandi Green on 25 December 2012.

Mr. Liu Chen

- Director's salary increased to HK$80,000 per month with effect from April 2013.

Mr. Jesper Bjoern Madsen

- Director's salary increased to HK$30,000 per month since July 2012 and further increased to HK$40,000 per month with effect from January 2013.

Mr. Lee Kong Wai, Conway

- Appointed as independent non-executive director of NVC Lighting Holding Limited (Main Board of Hong Kong Stock Exchange, stock code: 2222) in November 2012.

- Director's salary increased to HK$30,000 per month since July 2012 and further increased to HK$40,000 per month with effect from January 2013.

Mr. Wei Cheng, Kevin

- Director's salary increased to HK$30,000 per month since July 2012 and further increased to HK$40,000 per month with effect from January 2013.

On behalf of the Board

Yu Yiping Wallace
Chairman

22 March 2013

羅兵咸永道

Independent Auditor's Report
To the shareholders of Tibet 5100 Water Resources Holdings Ltd.
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Tibet 5100 Water Resources Holdings Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages F-3 to F-60, which comprise the consolidated and company balance sheets as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

羅兵咸永道

Independent Auditor's Report

To the shareholders of Tibet 5100 Water Resources Holdings Ltd. (Continued)

(incorporated in Cayman Islands with limited liability)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other Matters

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March, 2013

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2012

	Note	2012	2011
		RMB'000	*RMB'000*
Assets			
Non-current assets			
Land use rights	7	**1,239**	1,268
Property, plant and equipment	8	**303,801**	283,054
Deferred income tax assets	20	**9,248**	3,106
Prepayments	13	**5,592**	13,111
Investment in an associate	10	**595,000**	—
		914,880	300,539
Current assets			
Trade receivables	11	**340,243**	356,300
Prepayments	13	**14,230**	24,345
Other receivables	14	**20,690**	39,802
Inventories	15	**14,575**	22,053
Pledged and term deposits	16	**106,543**	588,310
Cash and cash equivalents	17	**1,232,327**	704,864
		1,728,608	1,735,674
Total assets		**2,643,488**	2,036,213
Equity			
Equity attributable to owners of the Company			
Share capital	18	**21,363**	21,363
Share premium	18	**1,206,829**	1,206,829
Reserves	19	**177,781**	142,589
Retained earnings			
– Proposed final dividends	32	**124,972**	62,681
– Others		**671,337**	420,530
		2,202,282	1,853,992
Total equity		**2,202,282**	1,853,992

CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2012

	Note	**2012**	2011
		RMB'000	*RMB'000*
Liabilities			
Non-current liabilities			
Deferred income	22	**12,308**	11,267
Deferred income tax liabilities	20	**17,260**	10,413
		29,568	21,680
Current liabilities			
Trade payables	23	**58,530**	49,369
Deferred revenue and advances received from customers	21	**21,641**	41,340
Enterprise income tax payable		**22,973**	9,973
Accruals and other payables	24	**308,494**	59,859
		411,638	160,541
Total liabilities		**441,206**	182,221
Total equity and liabilities		**2,643,488**	2,036,213
Net current assets		**1,316,970**	1,575,133
Total assets less current liabilities		**2,231,850**	1,875,672

The notes on pages F10 to F60 are an integral part of these financial statements.

The financial statements on pages F3 to F60 were approved by the Board of Directors on 22 March 2013 and were signed on its behalf.

Fu Lin
Director

Liu Chen
Director

BALANCE SHEET

AS AT 31 DECEMBER 2012

	Note	2012 RMB'000	2011 RMB'000
Assets			
Non-current assets			
Investments in subsidiaries	9	**—**	—
Loans to subsidiaries	9	**56,050**	16,682
Prepayments	13	**—**	11,044
		56,050	27,726
Current assets			
Prepayments	13	**4,466**	845
Other receivables	14	**83,346**	6,183
Term deposits	16	**100,000**	567,490
Cash and cash equivalents	17	**984,674**	604,017
		1,172,486	1,178,535
Total assets		**1,228,536**	1,206,261
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	18	**21,363**	21,363
Share premium	18	**1,206,829**	1,206,829
Reserves	19	**(30,209)**	(30,852)
Retained earnings		**17,303**	241
Total equity		**1,215,286**	1,197,581
Liabilities			
Current liabilities			
Accruals and other payables	24	**13,250**	8,680
Total liabilities		**13,250**	8,680
Total equity and liabilities		**1,228,536**	1,206,261
Net current assets		**1,159,236**	1,169,855
Total assets less current liabilities		**1,215,286**	1,197,581

The notes on pages F10 to F60 are an integral part of these financial statements.

The financial statements on pages F3 to F60 were approved by the Board of Directors on 22 March 2013 and were signed on its behalf.

Fu Lin
Director

Liu Chen
Director

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	**2012**	2011
		RMB'000	*RMB'000*
Revenue	6	**682,050**	633,169
Cost of sales	26	**(127,035)**	(134,377)
Gross profit		**555,015**	498,792
Distribution costs	26	**(106,300)**	(113,427)
Administrative expenses	26	**(64,727)**	(49,999)
Other gains, net	25	**94,976**	105,509
Operating profit		**478,964**	440,875
Finance income		**31,234**	16,340
Finance costs		**(749)**	(2,299)
Finance income, net	28	**30,485**	14,041
Profit before income tax		**509,449**	454,916
Income tax expense	29	**(98,727)**	(81,853)
Profit for the year		**410,722**	373,063
Profit attributable to:			
– Owners of the Company		**410,722**	373,063
Earnings per share for profit attributable to owners of the Company			
– Earnings per share (basic and diluted) (RMB cents per share)	31	**15.99**	16.18
Dividends	32	**124,972**	62,681

The notes on pages F10 to F60 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	**2012** *RMB'000*	2011 *RMB'000*
Profit for the year		**410,722**	373,063
Other comprehensive income:			
Foreign currency translation differences	19	**544**	(30,354)
Other comprehensive income for the year, net of tax		**544**	(30,354)
Total comprehensive income for the year		**411,266**	342,709
Attributable to:			
– Owners of the Company		**411,266**	342,709
Total comprehensive income for the year		**411,266**	342,709

The notes on pages F10 to F60 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

		Attributable to owners 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 year		—	—	—	373,063	373,063
Foreign currency translation differences		—	—	(30,354)	—	(30,354)
Total comprehensive income for the year		—	—	(30,354)	373,063	342,709
Capitalisation issue		16,971	(16,971)	—	—	—
Issuance of ordinary shares in connection with the listing		3,820	1,142,045	—	—	1,145,865
Issuance of ordinary shares in connection with the over-allotment		572	171,256	—	—	171,828
Share issuance costs		—	(89,501)	—	—	(89,501)
Appropriations to statutory reserve surplus		—	—	6,731	(6,731)	—
At 31 December 2011		21,363	1,206,829	142,589	483,211	1,853,992
Profit for the year		**—**	**—**	**—**	**410,722**	**410,722**
Foreign currency translation differences		**—**	**—**	**544**	**—**	**544**
Total comprehensive income for the year		**—**	**—**	**544**	**410,722**	**411,266**
Appropriations to statutory reserve surplus		**—**	**—**	**34,648**	**(34,648)**	**—**
Dividends		**—**	**—**	**—**	**(62,976)**	**(62,976)**
At 31 December 2012	18, 19	**21,363**	**1,206,829**	**177,781**	**796,309**	**2,202,282**

The notes on pages F10 to F60 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 *RMB'000*	2011 *RMB'000*
Cash flows from operating activities			
Cash generated from operations	33	**571,318**	215,060
Interest received		**33,330**	3,073
Income tax paid		**(85,022)**	(60,924)
Net cash generated from operating activities		**519,626**	157,209
Cash flows from investing activities			
Purchases of property, plant and equipment ("PP&E")		**(44,568)**	(33,325)
Cash received from disposal of PP&E	14	**17,113**	—
Government grant received		**1,470**	—
Investment in an associate		**(370,600)**	—
Decrease/ (Increase) in term deposits		**467,490**	(567,490)
Net cash generated from/(used in) investing activities		**70,905**	(600,815)
Cash flows from financing activities			
Repayment of amounts due to third parties		**—**	(30,677)
Repayment of amounts paid by the related parties on behalf of the Group to purchase equipment		**—**	(60,532)
Repayment of amounts paid by the related parties on behalf of the Group for prepaid issuance cost		**—**	(2,904)
Payment of issuance cost		**—**	(84,404)
Amounts received from related parties to pay issuance cost		**—**	19,569
Amounts repaid to related parties		**—**	(19,569)
Issuance of ordinary shares in connection with the listing		**—**	1,145,865
Issuance of ordinary shares in connection with the over-allotment		**—**	171,828
Dividends paid to shareholders		**(62,976)**	—
Net cash (used in)/generated from financing activities		**(62,976)**	1,139,176
Net increase in cash and cash equivalents		**527,555**	695,570
Cash and cash equivalents at beginning of year		**704,864**	34,783
Exchange translation losses on cash and cash equivalents		**(92)**	(25,489)
Cash and cash equivalents at end of year	17	**1,232,327**	704,864

The notes on pages F10 to F60 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1 GENERAL INFORMATION AND REORGANISATION

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 8 November 2010. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is an investment holding company. The Group is 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 had its primary listing on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") since 30 June 2011.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the board (the "Board") of directors (the "Directors") on 22 March, 2013.

Prior to the incorporation of the Company and the completion of the reorganisation (the "Reorganisation"), the Group's Business was carried out by the subsidiaries now comprising the Group and were all controlled by Mr. Wang Peter Jian (the "Controlling Shareholder"). The Group's Reorganisation was completed on 13 June 2011 and thereafter, the Company became the holding Company of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with IFRS. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The IASB has amended IAS 12, 'Income taxes', to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value pursuant to IAS 40 is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012. There is no significant impact to the Group's financial statements from adopting of this financial standard.

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Group.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

– Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' ("OCI") on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

– IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policy and disclosures (continued)

(b) New standards and interpretations not yet adopted (continued)

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in OCI rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

- IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group has assessed IFRS 10's full impact and concluded that there will not be any significant impact to the Group's financial statements.

- IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries

2.3.1 Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Associates (continued)

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in OCI is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in OCI is recognised in OCI with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in RMB, which is the Group's presentation currency. The functional currency of the operational entities located in the PRC is RMB, and the Company's functional currency is HK dollar ("HKD").

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings, payables and cash and cash equivalents are presented in the consolidated income statement within 'finance income, net'.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in OCI.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost less accumulated impairment losses of each asset to their residual values over their estimated useful lives, as follows:

	Useful lives
Buildings	15 to 40 years
Machinery	15 years
Vehicles	6 years
Others	3 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains, net' in the consolidated income statement.

Construction-in-progress (the "CIP") represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition and capitalised borrowing costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets

2.8.1 Goodwill

Goodwill arises on the acquisition of associates and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.8.2 Land use rights

All land in the PRC is state-owned and no individual land ownership right exists. The Group acquired the rights to use certain land and the premiums paid for such rights are recorded as land use rights, which are stated at cost and amortised over the use terms of 50 years using the straight-line method.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets

The Group's financial assets include receivables. Management determines the classification of its financial assets at initial recognition.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's receivables comprise "trade receivables" (Note 11), "other receivables" (Note 14), "cash and cash equivalents" (Note 17) and "pledged and term deposits" (Note 16) in the consolidated balance sheet. Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Receivables are subsequently carried at amortised cost using the effective interest method.

2.11 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Deferred revenue and advances received from customers

Deferred revenue and advances received from customers represent the consideration allocated to the goods to be delivered in future. Deferred revenue is stated at the consideration allocated less the amount previously recognised as revenue upon the delivery of goods to the wholesaler (Note 2.21).

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits

The employee benefit expenses mainly include salary, bonus, allowances and other expenditures incurred in exchange for the employee services. All employee benefit obligations are recognised during the period when the services are provided, and charged to the consolidated income statement or included in the cost of the related assets.

Pension obligations - defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.20 Provisions

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown as net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods – wholesale and retail

The Group manufactures and sells a range of bottled mineral water products in the wholesale and retail market. Sales of goods are recognised when a group entity has delivered products to the distributors/retailers, the distributors/retailers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the distributors/retailers' acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the distributors/retailers.

Sales of goods to certain distributors or end customers are made in form of water cards ("Water Cards Sales Arrangement"). Under the Water Cards Sales Arrangement with the distributors, the distributors sell the water cards to the end customers and use the logistics network, which is designed by the Group with the Group's long-term cooperative logistics suppliers, to deliver bottled water to the designated locations at the request of the end customers when the water cards are redeemed before the expiry dates; and relevant logistics expenses are charged to the Group. Sales of goods under the Water Cards Sales Arrangement are deferred as the Group has ultimate obligations towards the card holders. Sales of goods under the Water Cards Sales Arrangement are recognised when the water cards are redeemed by the end customers, or when the water cards are expired, whichever is earlier.

(b) Interest income

Interest income is recognised using the effective interest method. When a loan or receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

2.23 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: cash flow and fair value interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

Foreign exchange risk

The functional currency of a majority of the entities within the Group is RMB and most of the transactions are settled in RMB. However, the Group is exposed to foreign exchange risk arising from its cash exchange transactions, which are primarily denominated in the US dollar ("USD") and HKD.

To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors its exposure to foreign exchange risk. During the year ended 31 December 2012, management did not consider it was 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.

As at 31 December 2012, if RMB had weakened/strengthened by 5% against HKD with all other variables held constant, the total net assets of the Group would have been approximately RMB58,128,000 (2011: RMB59,707,000) higher/lower respectively, mainly as a result of foreign exchange gains/losses on translation of the results and financial position of the Company whose functional currency is HKD; the impact to the Group's net profit for the year from foreign exchange risk is insignificant as at 31 December 2012.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, pledged and term deposits, trade receivables and other receivables. The carrying amounts of cash and cash equivalents, pledged and term deposits, trade receivables and other receivables, represent the Group's maximum exposure to credit risk in relation to those financial assets.

Substantially all of the Group's cash and cash equivalents, and pledged and term deposits are held in major financial institutions located in the PRC including Hong Kong Special Administrative Region, which management believes are of high credit quality. There was no recent history of default of cash and cash equivalents, and pledged and term deposits from such financial institutions/authorities.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

The Group's revenue mainly derived from a single external customer (Note 6) as a result of sales of goods, and the trade receivable due from this customer is approximately RMB320,071,000 representing 94% of the balances of the Group's trade receivables as at 31 December 2012 (2011: RMB314,565,000, 88%). The Group has set up long-term cooperative relationship with this customer. In view of the history of business dealings made with the customer and the sound collection history of the receivables due from it, management believes that there is no material credit risk inherent in the Groups outstanding receivable balance due from this customer. The Group's other receivables are due from other third parties. The Group performs ongoing credit evaluations of the financial condition of its customers/debtors on an individual basis, taking into accounts their financial position, past experience and other factors, and generally does not require collateral from the customers/debtors' account on the outstanding balances. Based on the expected realisation and timing for collection of the outstanding balances, the Group maintains its provision for doubtful accounts and actual losses incurred have been within management's expectation, and management believes that there is no material credit risk inherent in the Group's outstanding receivable balances.

There were no other financial assets carrying a significant exposure to credit risk.

With the consideration of the above, the Directors believe that there is no significant credit risk inherent in the Group's business during the year ended 31 December 2012.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group's treasury function allows flexibility in funding by maintaining committed credit lines.

Management monitors rolling forecasts of the Group's liquidity reserves (comprising undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flows.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than 1 year *RMB'000*
Group	
At 31 December 2012	
Trade payables (Note 23)	58,530
Other financial liabilities (Note 24)	283,591
At 31 December 2011	
Trade payables (Note 23)	49,369
Other financial liabilities (Note 24)	16,664
Company	
At 31 December 2012	
Other financial liabilities (Note 24)	13,250
At 31 December 2011	
Other financial liabilities (Note 24)	8,680

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's capital is mainly from equity funding as there is no debt raised by the Group in the year ended 31 December 2011 and 2012.

3.3 Fair value estimation

The carrying amounts of the Group's financial assets and financial liabilities approximated their fair values due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Depreciation and amortisation

The Group's management determines the residual value, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where residual value or useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. The current estimated useful lives are stated in Note 2.7.

(b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Dividends derived from the Company's subsidiaries in the PRC earned after 1 January 2008 are subject to withholding tax at the rate of 10%. The Group reassessed its needs to make distributions out of its subsidiaries in the PRC. As a result, withholding income tax has been provided for the undistributed profits to the extent they are expected to be distributed in future.

Deferred tax assets relating to certain temporary differences are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimates are changed.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.8.1. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates.

No impairment charge arose in the investment in an associate during the year ended 31 December 2012, based on the CGU's recoverable amount computed at the discounted cash flow. If the budgeted gross margin used in the value-in-use calculation for the associate CGU had been 5% lower than management's estimates at 31 December 2012, the Group would have recognised an impairment of goodwill (included in the investment in an associate) by RMB31,408,000.

If the estimated cost of capital used in determining the pre-tax discount rate for the associate CGU had been 1% higher than management's estimates, the Group would have recognised an impairment against goodwill (included in the investment in associates) of RMB36,389,000.

5 SEGMENT INFORMATION

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

The principle activities of the Group are manufacturing and sales of bottled mineral water products. 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 asset allocation and performance evaluation, nor does the Group prepare separate financial information by products, distribution channels or geographical areas. Therefore, the Board regards that there is only one segment which is used to make strategic decisions.

6 REVENUE

Revenue from external customers is derived from the sales of bottled mineral water products. Breakdown of the revenue is as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Sales of goods	**682,050**	633,169

Revenue from external customers of the Group was derived in the PRC for the years ended 31 December 2012 and 2011.

Approximately RMB321,160,000 or 47% of the revenue was derived from a single external customer for the year ended 31 December 2012 (2011: RMB390,338,000 or 62%).

7 LAND USE RIGHTS - GROUP

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
At beginning of the year	**1,268**	1,297
Amortisation charge (Note 26)	**(29)**	(29)
At end of the year	**1,239**	1,268

The Group's interests in land use rights represent operating lease assets. All of the Group's land use rights are located in the PRC and are with a lease period of 50 years.

8 PROPERTY, PLANT AND EQUIPMENT - GROUP

	Buildings *RMB'000*	Machinery *RMB'000*	Vehicles *RMB'000*	Others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 1 January 2011						
Cost	38,493	202,748	440	43,095	53,073	337,849
Accumulated depreciation	(4,304)	(31,854)	(244)	(6,967)	—	(43,369)
Impairment (a)	—	(2,311)	—	—	—	(2,311)
Net book amount	34,189	168,583	196	36,128	53,073	292,169
Year ended 31 December 2011						
Opening net book amount	34,189	168,583	196	36,128	53,073	292,169
Additions	152	9,243	143	2,601	9,849	21,988
Transfer upon completion	—	44,760	—	—	(44,760)	—
Disposals (b)	—	—	—	—	(14,626)	(14,626)
Depreciation charges (Note 26)	(1,312)	(13,196)	(71)	(1,898)	—	(16,477)
Closing net book amount	33,029	209,390	268	36,831	3,536	283,054
At 31 December 2011						
Cost	38,645	256,751	583	45,696	3,536	345,211
Accumulated depreciation	(5,616)	(45,050)	(315)	(8,865)	—	(59,846)
Impairment (a)	—	(2,311)	—	—	—	(2,311)
Net book amount	33,029	209,390	268	36,831	3,536	283,054
Year ended 31 December 2012						
Opening net book amount	33,029	209,390	268	36,831	3,536	283,054
Additions	720	1,610	650	1,397	37,041	41,418
Depreciation charges (Note 26)	(2,327)	(16,484)	(95)	(1,765)	—	(20,671)
Closing net book amount	31,422	194,516	823	36,463	40,577	303,801
At 31 December 2012						
Cost	39,365	258,361	1,233	47,093	40,577	386,629
Accumulated depreciation	(7,943)	(61,534)	(410)	(10,630)	—	(80,517)
Impairment (a)	—	(2,311)	—	—	—	(2,311)
Net book amount	31,422	194,516	823	36,463	40,577	303,801

8 PROPERTY, PLANT AND EQUIPMENT – GROUP (CONTINUED)

(a) Certain idle machineries with the cost amounting to RMB2,978,000 were considered obsolete before 2011, and an impairment provision of RMB2,311,000 has been made accordingly based on the assets' fair value less costs to sell.

(b) The Group disposed a production line to a third party with net book value of RMB14,626,000 during the year ended 31 December 2011 due to the change of production plan.

Depreciation of property, plant and equipment has been charged to the consolidated income statement as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Cost of sales	**18,457**	15,088
Distribution costs	**5**	9
Administrative expenses	**2,209**	1,380
	20,671	16,477

As at 31 December 2012, no property, plant and equipment had been fully depreciated (2011: nil).

As at 31 December 2012, the Group was in the process of applying for registration of the ownership certificates for certain of its buildings with an aggregate net book value of approximately RMB20,493,000 (2011: RMB21,129,000). The Board is of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

There was no interest capitalised in assets under construction for the year ended 31 December 2012 (2011: nil).

9 INVESTMENTS IN AND LOANS TO SUBSIDIARIES - COMPANY

(a) Investments in subsidiaries

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Investments, at cost:		
Unlisted shares	**- ***	- *

* : Amount less than RMB500.

9 INVESTMENTS IN AND LOANS TO SUBSIDIARIES – COMPANY (CONTINUED)

The following is a list of the subsidiaries as at 31 December 2012:

Company name	Place / date of incorporation / type of legal entities	Issued/ paid-in capital 2012	Issued/ paid-in capital 2011	Effective interest held 2012	Effective interest held 2011	Principal activities
Directly held:						
Tibet 5100 Water Resources Ltd.	British Virgin Island ("BVI") / 19 January 2006/ Limited liability company	USD 100	USD 100	100%	100%	Investment
Treasure Guard Ltd.	BVI / 16 October 2012/ Limited liability company	USD 1	—	100%	—	Investment
Indirectly held:						
Sino Ocean International Investment Limited	BVI / 28 July 2003/ Limited liability company	USD 1	USD 1	100%	100%	Investment
Vicwood Investment Limited	BVI / 3 September 2003/ Limited liability company	USD 1	USD 1	100%	100%	Investment
Tibet Zhongji Jiahua Industry Co., Ltd.	PRC / 1 January 2004/ Limited liability company	USD16,000,000	USD16,000,000	100%	100%	Investment
Tibet Glacier Mineral Water Co., Ltd.	PRC / 31 October 2005/ Limited liability company	RMB118,000,000	RMB118,000,000	100%	100%	Bottled mineral water manufacturing and sales
Beijing 5100 Enterprise Planning Club Co., Ltd.	PRC / 13 July 2007/ Limited liability company	RMB1,000,000	RMB1,000,000	100%	100%	Bottled mineral water market operation and management
Tibet Glacier Mineral Water Marketing Co., Ltd.	PRC / 21 April 2010/ Limited liability company	RMB3,000,000	RMB3,000,000	100%	100%	Bottled mineral water marketing, promotion, distribution and retailing
Wealth Keeper Ltd.	Hong Kong / 30 October 2012/ Limited liability company	HKD 1	—	100%	—	Investment

(b) Loans to subsidiaries

The loans to subsidiaries as at 31 December 2012 of RMB56,050,000 (2011: RMB16,682,000) represent the loans to Tibet 5100 Water Resources Ltd., which are unsecured, interest free, denominated in HKD and repayable on demand.

10 INVESTMENTS IN AN ASSOCIATE – GROUP

	As at 31 December	
	Group	
	2012	2011
	RMB'000	*RMB'000*
Share of net assets	**595,000**	—
Opening net book amount	**—**	—
Additions (a)	**595,000**	—
Closing net book amount	**595,000**	—

(a) The Group acquired 35% equity shares in an associate - Tibet Tiandi Green Beverage Development Co., Ltd.* (*西藏天地綠色飲品發展有限公司*) ("Tiandi Green") on 25 December 2012. The total purchase price is analysed as follows:

Total identifiable net assets based on fair value at the date of acquisition (RMB'000)	605,852
Percentage of shares hold by the Group	35%
	RMB'000
Identifiable net assets at fair value	212,048
Goodwill on acquisition	382,952
Total consideration	595,000
Cash paid in the year ended 31 December 2012	370,600
Amount payable for the acquisition included in accruals and other payable (Note 24)	224,400
Total cash consideration	595,000

* *For identification purpose only*

10 INVESTMENTS IN AN ASSOCIATE – GROUP (CONTINUED)

Tiandi Green is principally engaged in the exploration, manufacture and sale of a specialty Tibetan Plateau highland barley beer in the PRC. Details of Tiandi Green are as follows:

Company name	Place/ date of incorporation/ type of legal entity	Issued/ paid-in capital	Effective interest held	Principal activities
Tiandi Green	PRC/ 28 April 2009/ Limited liability company	RMB 200,000,000	35%	Beer manufacturing and distribution

The Group's share of the results of its associate, and the aggregated assets (including goodwill) and liabilities as at 31 December 2012, are as follows:

	As at 31 December Group	
	2012	2011
	RMB'000	*RMB'000*
Assets	**704,832**	—
Liabilities	**109,832**	—

During the year ended 31 December 2012, the Group's share of revenue and profit from Tiandi Green is insignificant given the acquisition date is close to the financial year end.

11 TRADE RECEIVABLES - GROUP

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Trade receivables due from third parties	**340,243**	356,300
Less: Provision for impairment of receivables	**—**	—
	340,243	356,300

As at 31 December 2012 and 2011, the Group's trade receivables were all denominated in RMB.

Trade receivables represent those due from third party customers with good credit history and low default rates. The Group does not have formal contractual credit terms agreed with third party customers but the trade receivables are usually settled within two months except for some special customers with long transaction history and good credit record, where extended payment terms are granted. For management review purpose, the Group regards any receivable balance within a two-month credit period as not overdue. As at 31 December 2012, the ageing analysis of trade receivables is as follows:

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Within 2 months	**233,990**	338,480
Over 2 months but within 6 months	**81,533**	16,301
Over 6 months but within 1 year	**24,031**	537
Over 1 year but within 2 years	**689**	982
	340,243	356,300

As at 31 December 2012 and 2011, no trade receivables were impaired and provided for.

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

As at 31 December 2012 and 2011, the carrying amounts of the above trade receivables approximated their fair values.

12 CREDIT QUALITY OF FINANCIAL ASSETS – GROUP AND COMPANY

(a) Financial assets neither past due nor impaired

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to the nature of counterparties or to historical information about counterparty default rates:

	As at 31 December	
	Group	
	2012	2011
Trade receivables	***RMB'000***	*RMB'000*
– Group 1	**60**	11,898
– Group 2	**233,930**	326,582
	233,990	338,480

	As at 31 December			
	Group		Company	
	2012	2011	**2012**	2011
Other receivables	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
– Group 1	**—**	23,295	**—**	6,183
– Group 2	**20,690**	16,507	**83,346**	—
	20,690	39,802	**83,346**	6,183

Group 1 – new third parties/related parties (less than 6 months).

Group 2 – existing third parties/related parties (more than 6 months) with no defaults in the past.

Group 3 – existing third parties/related parties (more than 6 months) with some defaults in the past. All defaults were fully recovered.

12 CREDIT QUALITY OF FINANCIAL ASSETS – GROUP AND COMPANY (CONTINUED)

(b) Financial assets past due but not impaired

As at 31 December 2012, trade receivables of approximately RMB106,253,000 (2011: RMB17,820,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	Group	
	2012	2011
	RMB'000	*RMB'000*
Over 2 months but within 6 months	**81,533**	16,301
Over 6 months but within 1 year	**24,031**	537
Over 1 year but within 2 years	**689**	982
	106,253	17,820

As at 31 December 2012, no other receivables were past due nor impaired (2011: nil).

(c) Financial assets impaired

As at 31 December 2012, no trade receivables or other receivables were impaired and provided for (2011: nil).

The credit quality of the pledged and term deposits, and cash and cash equivalents is described in Note 3.1 (b).

13 PREPAYMENTS – GROUP AND COMPANY

	As at 31 December			
	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Prepayments made for purchase of raw materials, services, and equipment	**19,822**	37,456	**4,466**	11,889
	19,822	37,456	**4,466**	11,889
Less: Non-current portion -				
Prepayments made for purchase of equipment (a)	**(5,217)**	(2,067)	**—**	—
Prepayments made for services (b)	**(375)**	(11,044)	**—**	(11,044)
	(5,592)	(13,111)	**—**	(11,044)
Current portion	**14,230**	24,345	**4,466**	845

(a) These balances represent prepayments made for the purchase of equipment, the ownership of which has not been obtained.

(b) These balances represent prepayments made for consulting services, which are expected to be received by the Company during next 18 months (2011: 18 months) based on the contract and are debited to the consolidated statements upon the completion of relevant services.

The carrying amounts of current and non-current prepayments are denominated in the following currencies:

	As at 31 December			
	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
– RMB	**14,343**	25,567	**—**	—
– HKD	**840**	845	**637**	845
– USD	**3,747**	11,044	**3,747**	11,044
– European dollar ("EUR")	**810**	—	**—**	—
– Swiss Franc ("CHF")	**82**	—	**82**	—
	19,822	37,456	**4,466**	11,889

14 OTHER RECEIVABLES – GROUP AND COMPANY

	As at 31 December			
	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amounts due from a third party made for disposal of PP&E (a)	**—**	17,113	**—**	—
Government grants receivable (b)	**13,991**	13,991	**—**	—
Deposits	**601**	554	**—**	—
Interest receivable	**4,087**	6,183	**4,087**	6,183
Dividend receivable	**—**	—	**79,259**	—
Others	**2,011**	1,961	**—**	—
	20,690	39,802	**83,346**	6,183
Less: Provision for impairment	**—**	—	**—**	—
	20,690	39,802	**83,346**	6,183

(a) This balance represented amounts due from a third party for selling a production line.

(b) This balance represents amounts due from local government for government grants that have been approved but not yet received.

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

The carrying amounts of other receivables are denominated in the following currencies:

	As at 31 December			
	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
RMB	**17,054**	33,724	**3,174**	105
HKD	**3,627**	6,078	**80,172**	6,078
USD	**9**	—	**—**	—
	20,690	39,802	**83,346**	6,183

15 INVENTORIES - GROUP

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Raw materials	**10,953**	21,290
Finished goods	**3,592**	734
Consumable materials	**30**	29
	14,575	22,053

The cost of inventories which was recognised as an expense and was included in 'cost of sales' amounted to approximately RMB115,716,000 for the year ended 31 December 2012 (2011: RMB123,930,000).

As at 31 December 2012, the carrying amount of the Group's inventories did not exceed the net realisable value, and no provision for declines of the value of inventories was made.

16 PLEDGED AND TERM DEPOSITS – GROUP AND COMPANY

(a) Pledged deposits

	As at 31 December			
	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Pledged deposits	**6,543**	20,820	**—**	—

These deposits have been pledged as security for the issuance of bank acceptance notes to suppliers and are denominated in RMB.

(b) Term deposits

	As at 31 December			
	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Term deposits	**100,000**	567,490	**100,000**	567,490

These deposits are held in banks with maturity of more than three months and all are denominated in RMB (2011: HKD).

As at 31 December 2012, the Group's pledged and term deposits were mainly held in major financial institutions located in Hong Kong (2011: PRC).

The interest rate of the pledged and term deposits as at 31 December 2012 was 3.48% per annum (2011: 3.10%).

17 CASH AND CASH EQUIVALENTS – GROUP AND COMPANY

	As at 31 December			
	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash on hand	**262**	28	**—**	—
Cash at bank	**1,232,065**	704,836	**984,674**	604,017
	1,232,327	704,864	**984,674**	604,017
Denominated in:				
– RMB	**652,567**	506,050	**411,972**	414,231
– USD	**983**	956	**—**	—
– New Zealand Dollar	**1**	1,446	**—**	—
– HKD	**578,769**	196,412	**572,702**	189,786
– EUR	**7**	—	**—**	—
	1,232,327	704,864	**984,674**	604,017

As at 31 December 2012, the Group's cash and cash equivalents amounting to approximately RMB1,225,816,000 (2011: RMB506,664,000) were held in the resident accounts, the non-resident account and the offshore account of major financial institutions located in the PRC. The remaining amounted to RMB6,511,000 (2011: RMB198,200,000) and were held in major financial institutions located in Hong Kong Special Administrative Region.

The conversion of RMB denominated balances into foreign currencies and the remittance of the foreign currencies out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

The Group earns interests on cash at bank at floating bank deposit rates.

18 SHARE CAPITAL AND SHARE PREMIUM – GROUP AND COMPANY

	Number of ordinary shares (thousand)	Nominal value of ordinary shares *HKD'000*	Equivalent nominal value of ordinary shares *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
Opening balance 1 January 2011	—	—	—	—	—
Reorganisation (a)	10	—	—	—	—
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	1,145,865
Issuance of ordinary shares in connection with the over-allotment (d)	68,893	689	572	171,256	171,828
Share issuance costs	—	—	—	(89,501)	(89,501)
At 31 December 2011	2,568,893	25,689	21,363	1,206,829	1,228,192
Balance as at 1 January and 31 December 2012	2,568,893	25,689	21,363	1,206,829	1,228,192

(a) The Company was incorporated on 8 November 2010 with one fully paid ordinary share at par value of HKD0.01 allotted and issued to the subscriber, which was subsequently transferred to Tibet Water Resources Limited owned by the Controlling Shareholder 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 HKD0.01 each to the existing shareholders of Tibet 5100 Water Resources Ltd. After the share swap, the Company became the holding company of the Group.

(b) On 14 June 2011, 2,040,700,000 (at par value of HKD0.01 each) ordinary shares of the Company were allotted and issued, credited as fully paid at par value of HKD0.01 each to the entities whose names appear on the register of members of the Company in proportion to their then existing shareholdings in the Company, by capitalisation of HKD20,407,000 (equivalent to 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 HKD0.01 each) of the Company were allotted and issued at the price of HKD3.0 per share in connection with the listing of the Company's shares on the Stock Exchange.

(d) On 8 July 2011, 68,893,000 ordinary shares (at par value of HKD0.01 each) of the Company were allotted and issued at the price of HKD3.0 per share in connection with the over-allotment of the Company's shares on the Stock Exchange.

19 RESERVES – GROUP AND COMPANY

Group

	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Translation differences *RMB'000*	Total *RMB'000*
Opening balance 1 January 2011	146,012	20,300	(100)	166,212
Foreign currency translation differences	—	—	(30,354)	(30,354)
Appropriations to statutory reserve surplus (a)	—	6,731	—	6,731
At 31 December 2011	146,012	27,031	(30,454)	142,589
Opening balance 1 January 2012	146,012	27,031	(30,454)	142,589
Foreign currency translation differences	—	—	544	544
Appropriations to statutory reserve surplus (a)	—	34,648	—	34,648
At 31 December 2012	146,012	61,679	(29,910)	177,781

(a) According to the provisions of the articles of association of the Group's subsidiaries located in PRC ("PRC subsidiaries"), the PRC subsidiaries shall first set aside 10% of its profit attributable to owners after tax as indicated in their statutory financial statements for the statutory surplus reserve (except where the reserve has reached 50% of the entity's registered share capital) each year. PRC subsidiaries may also make appropriations from its profit attributable to shareholders to a discretionary surplus reserve, provided it is approved by a resolution passed in a shareholders' general meeting. These reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends without the prior approval obtained from the shareholders in a shareholders' general meeting under specific circumstances.

When the statutory surplus reserve is not sufficient to make good for any losses of the PRC subsidiaries from previous years, the current year profit attributable to the owners shall be used to make good the losses before any allocations are set aside for the statutory surplus reserve.

The statutory surplus reserve, the discretionary surplus reserve and the capital reserve of the PRC subsidiaries account may be converted into share capital of the PRC subsidiaries provided it is approved by a resolution passed in a shareholders' general meeting and meets other regulatory requirements with the provision that the ending balance of the statutory surplus reserve does not fall below 25% of the registered share capital amount.

For the years ended 31 December 2012, the directors of the PRC subsidiaries proposed the appropriations amounting to RMB34,648,000 (2011: RMB6,731,000) to statutory surplus reserve of the Group.

19 RESERVES – GROUP AND COMPANY (CONTINUED)

Company

	Capital reserve	Statutory surplus reserve	Translation differences	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Opening balance 1 January 2011	—	—	—	—
Foreign currency translation differences	—	—	(30,852)	(30,852)
At 31 December 2011	—	—	(30,852)	(30,852)
Opening balance 1 January 2012	—	—	(30,852)	(30,852)
Foreign currency translation differences	—	—	643	643
At 31 December 2012	—	—	(30,209)	(30,209)

The profit attributable to owners of the Company was dealt with in the financial statements of the Company to the extent of RMB80,036,573 (2011: RMB241,157).

20 DEFERRED INCOME TAX - GROUP

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	**2,329**	2,176
– Deferred tax asset to be recovered within 12 months	**6,919**	930
	9,248	3,106
Deferred tax liabilities:		
– Deferred tax liability to be recovered within 12 months	**(17,260)**	(10,413)

The gross movement on the deferred tax assets and deferred tax liabilities is as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Deferred tax assets:		
At beginning of the year	**3,106**	3,566
Income statement credit/(charge) (Note 29)	**6,142**	(460)
At end of the year	**9,248**	3,106
Deferred tax liabilities:		
At beginning of the year	**(10,413)**	—
Income statement charge (Note 29)	**(17,260)**	(10,413)
Payment	**10,413**	—
At end of the year	**(17,260)**	(10,413)

The balances of deferred tax assets and liabilities as at 31 December 2012 were not offset because the deferred tax assets and liabilities related to income taxes were levied by different taxation authorities. The movement in deferred income tax assets and liabilities during the year is as follows:

20 DEFERRED INCOME TAX – GROUP (CONTINUED)

	Provisions for impairment	Deferred income	Accrued expenses	Undistributed profits from subsidiaries	Other deductible temporary differences	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets						
At 1 January 2011	347	1,732	1,274	—	213	3,566
Charged to the income statement	—	(42)	(416)	—	(2)	(460)
At 31 December 2011	347	1,690	858	—	211	3,106
Credit to the income statement	—	156	5,839	—	147	6,142
At 31 December 2012	347	1,846	6,697	—	358	9,248
Deferred tax liabilities						
At 1 January 2011	—	—	—	—	—	—
Charged to the income statement	—	—	—	(10,413)	—	(10,413)
At 31 December 2011	—	—	—	(10,413)	—	(10,413)
Charged to the income statement	—	—	—	(17,260)	—	(17,260)
Settlement	—	—	—	10,413	—	10,413
At 31 December 2012	—	—	—	(17,260)	—	(17,260)

As at 31 December 2012, the Company's certain subsidiaries' future taxable income would not be available against which their temporary losses could be utilised and the losses of those certain subsidiaries would not be offset by the taxable income of other subsidiaries within the Group, as there is not a legally enforceable right to do so. As such, the Group did not recognise deferred income tax assets of RMB10,589,000 (2011: RMB10,511,000) in respect of losses amounting to RMB56,643,000 (2011: RMB63,138,000) that can be carried forward against future taxable income. Losses amounting to RMB56,643,000 as at 31 December 2012 with expiry dates are listed as follows:

20 DEFERRED INCOME TAX – GROUP (CONTINUED)

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Expiring in		
– 2012	—	17,063
– 2013	10,175	10,175
– 2014	10,042	10,042
– 2015	12,489	12,489
– 2016	13,369	13,369
– 2017	10,568	—
	56,643	63,138

As at 31 December 2012, deferred tax liabilities of RMB17,260,000 had been recognised for the withholding tax that would be payable on the distributable profits of the Company's subsidiaries in the PRC earned for the year then ended. Such amount totalling RMB172,600,000 is intended to be distributed out of the PRC.

Deferred income tax liabilities of RMB64,641,000 (2011: RMB41,170,000) had not been recognised for the withholding tax that would be payable on the distributable retained profits of the Company's subsidiaries in the PRC earned after 1 January 2008. Such amounts totalling RMB646,413,000 (2011: RMB411,696,000) are not currently intended to be distributed out of the PRC.

21 DEFERRED REVENUE AND ADVANCES RECEIVED FROM CUSTOMERS - GROUP

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Deferred revenue	**14,718**	23,657
Advances received from customers	**6,923**	17,683
	21,641	41,340

As at 31 December 2012, the Group's deferred revenue and advances received from customers were all denominated in RMB and were usually settled within 12 months.

22 DEFERRED INCOME – GROUP

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
At beginning of the year	**11,267**	11,550
Addition	**1,470**	—
Credited to income statement (a)	**(429)**	(283)
At end of the year	**12,308**	11,267

(a) According to Zang Fa Gai Tou Zi 藏發改投資 [2010] No 337, Tibet Glacier Mineral Water Co., Ltd., one of the Group's subsidiaries, was granted and received a subsidy from the local government to compensate its efforts to increase its production capacity, which has been examined and approved by the local government when the expansion was completed in 2010 and 2011. The Group recognised such amount of RMB11,550,000 as deferred income and it will be credited to the consolidated income statement over the expected lives of the related assets. Approximately RMB429,000 of this deferred income has been credited to the consolidated income statement for the year ended 31 December 2012 (2011: RMB283,000).

23 TRADE PAYABLES - GROUP

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Trade payables	**51,987**	26,846
Notes payables	**6,543**	22,523
	58,530	49,369

As at 31 December 2012, the ageing analysis of trade payables is as follows:

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Within 45 days	**47,752**	40,930
Over 45 days but within 6 months	**8,050**	7,374
Over 6 months but within 1 year	**2,054**	37
Over 1 year but within 2 years	**312**	672
Over 2 years	**362**	356
	58,530	49,369

As at 31 December 2012 and 2011, the Group's trade payables and notes payables were all denominated in RMB.

As at 31 December 2012 and 2011, the Group's notes payables were not interest bearing.

24 ACCRUALS AND OTHER PAYABLES – GROUP AND COMPANY

	As at 31 December			
	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Salary payables	**4,688**	4,503	**—**	—
Welfare payables	**14**	141	**—**	—
Value added tax and other taxes payable	**8,689**	18,054	**—**	—
Accrued expenses	**44,641**	5,717	**—**	—
Amounts due to subsidiaries	**—**	—	**8,511**	8,511
Advance received from a third party (a)	**16,200**	25,000	**—**	—
Payable for investment in an associate	**224,400**	—	**—**	—
Other payables	**9,862**	6,444	**4,739**	169
	308,494	59,859	**13,250**	8,680

(a) This balance represents advance received from Lhasa Finance Bureau in relation to the government grants which had not been approved by the government as at 31 December 2012 and 2011.

The carrying amount of the accruals and other payables are denominated in the following currencies:

	As at 31 December			
	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
RMB	**304,451**	59,286	**12,018**	8,511
HKD	**4,043**	573	**1,232**	169
	308,494	59,859	**13,250**	8,680

25 OTHER GAINS, NET

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Government grants (a)	**100,959**	105,191
Donation	**(6,150)**	—
Others	**167**	318
	94,976	105,509

(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 receive subsidy income from the local government in relation to the domestic subsidiaries' fiscal contribution to the local economic development as a major tax payer and employer in Tibet. The Group recognised such income of RMB101 million for the year ended 31 December 2012 (2011: RMB105 million).

26 EXPENSES BY NATURE

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

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Raw materials and consumables used	**86,721**	91,333
(Increase)/Decrease in the balances of inventories of finished goods	**(2,858)**	5,270
Transportation costs	**66,841**	86,910
Depreciation of PP&E (Note 8)	**20,671**	16,477
Employee benefit expenses (Note 27)	**42,649**	36,871
Advertising and marketing expenditure	**24,328**	12,044
Transaction taxes and surcharges	**11,434**	10,447
Electricity and other utility expenses	**3,425**	3,453
Rental expenses	**2,731**	1,748
Share issuance costs	**—**	6,556
Consulting and other service expenses	**16,830**	6,931
Repairs and maintenance	**1,145**	1,779
Amortisation of land use rights (Note 7)	**29**	29
Auditors' remuneration	**4,800**	2,000
Exploration rights expenses	**500**	500
Office and consumption expenses	**11,410**	9,798
Others	**7,406**	5,657
	298,062	297,803

27 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Wages and salaries	**37,850**	32,489
Provision for medical and other employee benefits	**1,124**	1,077
Contributions to defined contribution pension scheme (a)	**2,343**	2,111
Contributions to the housing scheme (b)	**1,332**	1,194
	42,649	36,871

(a) Pension scheme

Defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Housing scheme

In accordance with the PRC housing reform regulations, the Group is required to make contributions to the Chinese state-sponsored housing fund at 10% of the salaries of the employees. At the same time, the employees are also required to make a contribution at 10% of their salaries out of their payroll. The employees are entitled to claim the entire sum of the fund under certain specified withdrawal circumstances.

27 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(c) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2012 is set out below:

Name of Director	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Yu Yiping, Wallace	**1,216**	**101**	**11**	**1,328**
Mr. Fu Lin	**1,054**	**—**	**—**	**1,054**
Mr. Yue Zhiqiang	**1,054**	**—**	**—**	**1,054**
Ms. Mou Chunhua	**405**	**—**	**—**	**405**
Mr. Liu Chen	**584**	**43**	**11**	**638**
Ms. Jiang Xiaohong	**405**	**—**	**—**	**405**
Mr. Jesper Bjoern Madsen	**243**	**—**	**—**	**243**
Mr. Lee Kong Wai, Conway	**243**	**—**	**—**	**243**
Mr. Wei Cheng, Kevin	**243**	**—**	**—**	**243**
	5,447	**144**	**22**	**5,613**

The remuneration of every Director for the year ended 31 December 2011 is set out below:

Name of Director	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Yu Yiping, Wallace	1,430	104	10	1,544
Mr. Fu Lin	900	—	—	900
Mr. Yue Zhiqiang	900	—	—	900
Ms. Mou Chunhua	346	—	—	346
Mr. Liu Chen	399	39	8	446
Ms. Jiang Xiaohong	346	—	—	346
Mr. Jesper Bjoern Madsen	180	—	—	180
Mr. Lee Kong Wai, Conway	180	—	—	180
Mr. Wei Cheng, Kevin	180	—	—	180
	4,861	143	18	5,022

There was no remuneration, inducement fee, or compensation for loss of office to Directors during the year ended 31 December 2012 and 2011.

27 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(d) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2011: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments paid and payable to the remaining two (2011: two) individuals during the year are as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Basic salaries and allowances	**2,042**	2,005
Bonuses	**137**	153
	2,179	2,158

The emoluments fell within the following bands:

	Number of individuals	
	2012	2011
Emolument bands		
HKD1,000,001 to HKD1,500,000 (approximately RMB800,001 to RMB1,200,000)	**2**	2

28 FINANCE INCOME, NET

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Foreign exchange loss	**(636)**	(2,219)
Other finance costs	**(113)**	(80)
Finance costs	**(749)**	(2,299)
Interest income on bank deposits	**31,234**	9,256
Foreign exchange gain	**—**	7,084
Finance income	**31,234**	16,340
Finance income, net	**30,485**	14,041

29 INCOME TAX EXPENSE

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

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Current income tax	**87,609**	70,980
Deferred income tax charge (Note 20)	**11,118**	10,873
Income tax expense	**98,727**	81,853

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Profit before income tax	**509,449**	454,916
Tax calculated at statutory tax rate of 25%	**127,362**	113,729
Preferential tax rates on income of certain group entities	**(58,438)**	(47,337)
Tax losses of certain group entities for which no deferred income taxes assets were recognised	**3,615**	3,342
Expenses not deductible for tax purposes	**4,833**	2,012
Effect of difference between preferential tax rate and statutory tax rate on recognition of deferred tax	**4,095**	(306)
Withholding tax for undistributed profits from subsidiaries	**17,260**	10,413
Income tax expense	**98,727**	81,853

The weighted average tax rate was 15.0% for the year ended 31 December 2012 (2011: 15.0%).

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

The Group entities incorporated in the PRC are subject to PRC enterprise income tax. Three entities are located in the Tibet Autonomous Region of the PRC and were entitled to preferential rates of 15% for the year ended 31 December 2012 (2011: 15%); the remaining entities were taxed based on the statutory income tax rate of 25% for the year ended 31 December 2012 (2011: 25%) as determined in accordance with the relevant PRC income tax rules and regulations.

30 NET FOREIGN EXCHANGE GAINS

The exchange differences charged to the consolidated income statement are included as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Net finance (loss)/gains (Note 28)	**(636)**	4,865

31 EARNINGS PER SHARE

Basic and diluted

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is equal to the basic earnings per share since the Company has no potential dilutive ordinary shares during the years ended 31 December 2012 and 2011.

	Year ended 31 December	
	2012	2011
Profit attributable to owners of the Company (RMB'000)	**410,722**	373,063
Weighted average number of ordinary shares in issue (thousands)	**2,568,893**	2,305,462
Earnings per share (basic and diluted) (RMB cents per share)	**15.99**	16.18

32 DIVIDENDS

Dividend of RMB62,976,000 was declared and paid in 2012 in respect of the year ended 31 December 2011 (2011: Nil). A dividend in respect of the year ended 31 December 2012 of HKD0.06 per share, which is equivalent to a total dividend of approximately RMB124,972,000 is to be proposed at the annual general meeting. These financial statements do not reflect this dividend payable.

The Company's subsidiaries will declare sufficient dividends to the Company to enable the Company to pay dividends to its shareholders to be proposed at the annual general meeting.

33 CASH GENERATED FROM OPERATIONS

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Profit before income tax	**509,449**	454,916
Adjustments for:		
Amortisation of land use rights (Note 26)	**29**	29
Depreciation of PP&E (Note 26)	**20,671**	16,477
Interest expense (Note 28)	**—**	—
Net foreign exchange gains (Note 30)	**636**	(4,865)
Deferred income charged to income statement (Note 22)	**(429)**	(283)
Interest income (Note 28)	**(31,234)**	(9,256)
Operating profit before working capital changes	**499,122**	457,018
Decrease in inventories	**7,478**	10,148
Decrease/ (Increase) in trade receivables	**16,057**	(284,309)
Decrease/ (Increase) in prepayments and other receivables	**20,687**	(39,283)
Decrease/ (Increase) in pledged deposits	**14,277**	(20,820)
Increase in trade payable	**9,161**	34,853
Increase in accruals and other payables	**24,235**	42,163
(Decrease)/ Increase in deferred revenue and advances received from customers	**(19,699)**	15,290
Cash generated from operations	**571,318**	215,060

34 COMMITMENTS

(a) Capital commitments

As at 31 December 2012 and 2011, capital expenditures contracted for by the Group at the end of the reporting period but not yet incurred were as follows:

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Property, plant and equipment	**—**	27,997

The Company did not have any capital commitments as at 31 December 2012 and 2011.

(b) Operating lease commitments

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

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
No later than 1 year	**1,871**	1,886
Later than 1 year and no later than 5 years	**658**	2,514
	2,529	4,400

The Company did not have any operating lease commitments as at 31 December 2012 and 2011.

35 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 the Controlling Shareholder.

(a) Transactions with related parties:

	Year ended 31 December	
	2012	2011
	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
Amounts received from related parties to pay issuance cost		
– Entities under common control	**—**	19,569
Amounts repaid to related parties		
– Entities under common control	**—**	19,569
Revenue from license fee		
– Entities under common control	**81**	83
Purchase of goods		
– Entities under common control	**635**	—
Lease expenses		
– An entity controlled by Mr. Yu Yiping Wallace, the Chairman of the Group	**292**	75

(i) Revenue from license fee was the royalty fee charged to an entity controlled by the Controlling Shareholder based on normal commercial terms and conditions.

(ii) Goods were bought from an entity controlled by the Controlling Shareholder based on normal commercial terms and conditions.

(iii) Lease expenses were from the leasing fee of a vehicle from an entity controlled by the Chairman of the Group based on normal commercial terms and conditions.

35 RELATED-PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties:

The Group had no material balance with related parties as at 31 December 2012 and 31 December 2011.

(c) Key management compensation

For the year ended 31 December 2012, the compensation paid/payable to key management is shown below:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Salaries and other short-term employee benefits	**7,959**	7,325

Financial Summary
財務概要

		For the year ended 31 December 截至十二月三十一日止年度				
		2012 二零一二年	2011 二零一一年	2010 二零一零年	2009 二零零九年	2008 二零零八年
Profitability data (RMB million)	**盈利數據（人民幣百萬元）**					
Revenue	收益	**682**	633	361	216	119
Gross profit	毛利	**555**	499	232	124	60
Operating profit	經營利潤	**479**	441	135	55	18
Profit for the year	年度利潤	**411**	373	115	47	12
Profitability data (%)	盈利數據(%)					
Gross profit margin	毛利率	**81%**	79%	64%	58%	50%
Operating profit margin	經營利潤率	**70%**	70%	37%	25%	15%
Net profit margin	淨利潤率	**60%**	59%	32%	22%	10%
Return on average total shareholders' equity	平均股東權益總額回報率	**19%**	20%	41%	29%	10%
Assets and liabilities data (RMB million)	**資產與負債數據（人民幣百萬元）**					
Non-current assets	非流動資產	**915**	301	302	251	185
Current assets	流動資產	**1,729**	1,736	158	162	187
Current liabilities	流動負債	**412**	161	165	177	255
Non-current liabilities	非流動負債	**30**	22	12	70	—
Equity attributable to owners of the Company	本公司擁有人應佔權益	**2,202**	1,854	283	165	114
Assets and Working Capital data	**資產和流動資金數據**					
Current assets ratios	流動資產比率	**65%**	85%	34%	39%	50%
Gearing ratios	資本負債比率	**—**	—	17%	35%	41%

Note:

The summary above does not form part of the audited consolidated financial statements.

The financial information for the years ended 31 December 2010, 2009 and 2008 was extracted from the Prospectus.

附註：

上述概要並不構成經審核綜合財務報表的一部分。

截至二零一零年以及二零零九年和二零零八年十二月三十一日止三個年度的財務資料乃摘錄自本公司的招股章程。