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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)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

FINANCIAL HIGHLIGHT	Six months ended 30 June		Change %
	2015 (Unaudited)	2014 (Unaudited)	
Revenue (RMB'000)	427,481	326,397	↑31%
Profit attributable to the owners of the Company (RMB'000)	141,492	164,602	↓14%
Earnings per share			
- Basic (RMB cents)	5.51	6.41	↓14%
- Diluted (RMB cents)	5.51	6.41	↓14%
Sales volume (Tonnes)	62,370	42,869	↑45%
	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)	
Total assets (RMB'000)	3,666,040	3,435,861	
Equity attributable to owners of the Company (RMB'000)	2,737,988	2,677,521	

INTERIM RESULTS

The board of directors (the “**Directors**”) (the “**Board**”) of Tibet 5100 Water Resources Holdings Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2015. These interim results have been reviewed by the Company’s Audit Committee, comprising all of the independent non-executive Directors, one of whom chairs the committee, and the Company’s external auditor, PricewaterhouseCoopers.

OPERATION AND MARKET REVIEW

Consumer recognition of the high quality and purity of mineral water from Tibet has become increasingly prominent both in and outside China and this trend is expected to gain further pace in future. The Group, through establishment of state of the art manufacturing plants in Tibet and through development of a strong product portfolio combined with execution of its sales and marketing strategies, has succeeded in leveraging on the “Tibet Water Trend” and has succeeded in establishing its brand in a leading position in this segment in China, with continued strong growth.

The Group continues its development of new products and new sales channels and markets.

With the growing potential in the home and office user market, the Group has adopted a sales and marketing strategy targeting such customer groups. In this connection, the Group plans to launch barrelled water products suitable for such customers and cooperate with the local communities for further exploring these opportunities.

In the first half of 2015, the Group launched its premium version of Tibet 5100 Glacial Spring Water (“5100 Glacial Water”), the new “Diamond Series” product targeting high end outlets including restaurants, clubs, airports, etc.

The Group’s success in establishing itself as an outstanding enterprise of high quality water from Tibet has made it capable to establish strategic partnership with high profile companies in China, including Sinopec Group and Moutai Group. Such partnerships enable the Group to leverage on their partner’s strong distribution network with its products.

In July of this year, the Association of Natural Drinking Water Industry (飲用水行業協會) in the Tibet Autonomous Region was established and Mr. Yue Zhiqiang, an executive Director of the Company, was appointed as the first president of the Association, which represents recognition for our products and the overall operating capabilities of the Group.

OUTLOOK

In the second half of 2015, the Group shall continue to maintain close cooperation with its distributors and devote more resources to develop our retail sales network (owned by third parties), including six major distribution channels, namely (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; and (vi) others, including cinemas, specialty shops at airport and tourist attractions etc., across different regions in the PRC to promote 5100 Glacial Water and the highland barley beer.

The Group will also continue to expand its distribution network both by exploring new markets and by increasing the number of distributors as mentioned above, and through strategic partnerships with Sinopec Group and Moutai Group which are expected to significantly strengthen the Group's distribution channels.

The above-mentioned business initiatives will be supported by an adequate level of sales and marketing activities.

The Group will also continue to enhance our two-way communication with consumers by further strengthening our existing e-commerce platform and mobile application programme, and by making use of social media platforms, for adding value and enhancing consumers experience.

Moreover, we will continuously launch new products by leveraging on the famous brand of 5100 Glacial Water and our technical capabilities.

The Group has always targeted a premium positioning for its 5100 Glacial Water, also with potential for export. In line with this strategy, the trial production of glass bottled 5100 Glacial Water was commenced successfully in the second half of 2014, and a full scale production is expected to be launched in the second half of 2015. The Group will also produce and sell barrel water for further strengthening of our product portfolio in the second half of 2015, especially for the abovementioned home and office user markets.

While continuing to implement the abovementioned strategies and actively strengthen the integration of our existing resources in both our mineral water business segment and highland barley beer business segment, and to generate further synergy between the mineral water business and the highland barley beer business, the Group will continue to seek for new projects with a business presence in the Chinese specialty beverage industry, leading to the diversification of our business and products.

In recognition of the importance of the ongoing projects, the Group will give high priority to continuously strengthen its work force both qualitatively and quantitatively.

The Group expects to face strong competition and a challenging economic environment, but will nonetheless adhere to its objective to produce, supply and further grow its premium mineral water products and highland barley beer products in China and in potential overseas markets.

**CONDENSED INTERIM CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2015**

		As at	
	<i>Note</i>	30 June 2015 RMB'000 Unaudited	31 December 2014 RMB'000 Audited
Assets			
Non-current assets			
Land use rights	8	31,782	32,141
Property, plant and equipment	8	665,937	661,256
Intangible assets	8	165,772	176,724
Goodwill	8	721,139	721,139
Deferred income tax assets		2,761	2,524
Prepayments		3,047	5,035
Other receivables and other assets		1,112	15,112
Investment in an associate	9	<u>1,004,790</u>	<u>601,263</u>
		<u>2,596,340</u>	<u>2,215,194</u>
Current assets			
Trade receivables	10	337,432	332,284
Prepayments		31,759	31,059
Other receivables and other assets		71,130	28,594
Inventories		63,620	65,321
Cash and cash equivalents		<u>565,759</u>	<u>763,409</u>
		<u>1,069,700</u>	<u>1,220,667</u>
Total assets		<u>3,666,040</u>	<u>3,435,861</u>

**CONDENSED INTERIM CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2015**

		As at	
	<i>Note</i>	30 June 2015	31 December 2014
		<i>RMB'000</i>	<i>RMB'000</i>
		<i>Unaudited</i>	<i>Audited</i>
Equity			
Equity attributable to owners of the Company			
Share capital	11	21,363	21,363
Share premium	11	1,206,829	1,206,829
Reserves	11	210,230	210,182
Retained earnings		<u>1,299,566</u>	<u>1,239,147</u>
		<u>2,737,988</u>	<u>2,677,521</u>
Non-controlling interests		<u>297,081</u>	<u>273,098</u>
Total equity		<u>3,035,069</u>	<u>2,950,619</u>
Liabilities			
Non-current liabilities			
Borrowings	13	91,423	91,549
Deferred revenue		27,270	30,850
Deferred income tax liabilities		<u>24,527</u>	<u>35,835</u>
		<u>143,220</u>	<u>158,234</u>
Current liabilities			
Trade payables	12	119,411	117,340
Deferred revenue and advances received from customers		57,821	60,395
Enterprise income tax payable		11,763	—
Accruals and other payables		51,275	49,657
Borrowings	13	<u>247,481</u>	<u>99,616</u>
		<u>487,751</u>	<u>327,008</u>
Total liabilities		<u>630,971</u>	<u>485,242</u>
Total equity and liabilities		<u>3,666,040</u>	<u>3,435,861</u>
Net current assets		<u>581,949</u>	<u>893,659</u>
Total assets less current liabilities		<u>3,178,289</u>	<u>3,108,853</u>

**CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

		Unaudited	
		Six months ended 30 June	
	Note	2015	2014
		RMB'000	RMB'000
			<i>(Represented)</i>
Revenue	7	427,481	326,397
Cost of sales	15	<u>(174,854)</u>	<u>(123,680)</u>
Gross profit		252,627	202,717
Selling and distribution costs	15	(58,283)	(41,440)
Administrative expenses	15	(34,846)	(33,419)
Other gains, net	14	<u>10,769</u>	<u>90,337</u>
Operating profit		<u>170,267</u>	<u>218,195</u>
Finance income		7,035	8,411
Finance costs		<u>(7,656)</u>	<u>(6,377)</u>
Finance (cost)/income, net		<u>(621)</u>	<u>2,034</u>
Share of post-tax profit of an associate	9	<u>13,527</u>	<u>—</u>
Profit before income tax		183,173	220,229
Income tax expense	16	<u>(17,698)</u>	<u>(37,634)</u>
Profit for the period		<u>165,475</u>	<u>182,595</u>
Profit attributable to:			
- Owners of the Company		141,492	164,602
- Non-controlling interests		<u>23,983</u>	<u>17,993</u>
		<u>165,475</u>	<u>182,595</u>
Earnings per share for profit attributable to the owners of the Company		RMB cents	RMB cents
- Basic earnings per share	17	5.51	6.41
- Diluted earnings per share	17	5.51	6.41
Dividends	18	<u>—</u>	<u>—</u>

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

	Unaudited	
	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	<u>165,475</u>	<u>182,595</u>
Other comprehensive loss:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation differences	<u>48</u>	<u>(173)</u>
Other comprehensive income/(loss) for the period, net of tax	<u>48</u>	<u>(173)</u>
Total comprehensive income for the period	<u><u>165,523</u></u>	<u><u>182,422</u></u>
Attributable to:		
- Owners of the Company	141,540	164,429
- Non-controlling interests	<u>23,983</u>	<u>17,993</u>
Total comprehensive income for the period	<u><u>165,523</u></u>	<u><u>182,422</u></u>

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Unaudited						
	Attributable to owners of the Company						
	Share capital	Share premium	Reserves	Retained earnings	Non-controlling Total interests	Total equity	
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
At 1 January 2015	<u>21,363</u>	<u>1,206,829</u>	<u>210,182</u>	<u>1,239,147</u>	<u>2,677,521</u>	<u>273,098</u>	<u>2,950,619</u>
Profit for the period	—	—	—	141,492	141,492	23,983	165,475
Foreign currency translation differences	—	—	48	—	48	—	48
Total comprehensive income for the period	—	—	48	141,492	141,540	23,983	165,523
Dividends relating to 2014 paid in June 2015	—	—	—	(81,073)	(81,073)	—	(81,073)
At 30 June 2015	<u>21,363</u>	<u>1,206,829</u>	<u>210,230</u>	<u>1,299,566</u>	<u>2,737,988</u>	<u>297,081</u>	<u>3,035,069</u>
At 1 January 2014	<u>21,363</u>	<u>1,206,829</u>	<u>195,525</u>	<u>1,073,753</u>	<u>2,497,470</u>	<u>231,983</u>	<u>2,729,453</u>
Profit for the period	—	—	—	164,602	164,602	17,993	182,595
Foreign currency translation differences	—	—	(173)	—	(173)	—	(173)
Total comprehensive income for the period	—	—	(173)	164,602	164,429	17,993	182,422
Dividends relating to 2013 paid in June 2014	—	—	—	(162,682)	(162,682)	—	(162,682)
At 30 June 2014	<u>21,363</u>	<u>1,206,829</u>	<u>195,352</u>	<u>1,075,673</u>	<u>2,499,217</u>	<u>249,976</u>	<u>2,749,193</u>

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	176,755	267,681
Interest received	1,924	7,683
Income tax paid	<u>(6,541)</u>	<u>(34,523)</u>
Net cash generated from operating activities	<u>172,138</u>	<u>240,841</u>
Cash flows from investing activities		
Purchases of property, plant and equipment ("PP&E")	(11,728)	(5,584)
Investment in an associate	(390,000)	—
Loan granted to a third party	—	(11,500)
Cash advance to an associate	(49,000)	—
Repayment received for amounts due from third parties	14,474	51,074
Purchases of available-for-sale financial assets("AFS")	(270,000)	(300,000)
Proceeds from sale of AFS	272,532	308,692
Increase in term deposits	<u>—</u>	<u>(85,000)</u>
Net cash used in investing activities	<u>(433,722)</u>	<u>(42,318)</u>
Cash flows from financing activities		
Dividends paid to shareholders	(81,073)	(162,682)
Proceeds from a bank borrowing	200,000	—
Repayment of borrowing from government	<u>(55,000)</u>	<u>—</u>
Net cash generated from/(used in) financing activities	<u>63,927</u>	<u>(162,682)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(197,657)</u>	<u>35,841</u>
Cash and cash equivalents at beginning of period	763,409	985,416
Translation gains on cash and cash equivalents	<u>7</u>	<u>145</u>
Cash and cash equivalents at end of period	<u><u>565,759</u></u>	<u><u>1,021,402</u></u>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2015

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 8 November 2010. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is an investment holding company. The Group is principally engaged in production and distribution of premium bottled mineral water and highland barley beer products in the People's Republic of China (the "PRC").

The Company had its primary listing on The Stock Exchange of Hong Kong Limited on 30 June 2011.

The condensed interim consolidated financial information is presented in Renminbi ("RMB"), unless otherwise stated. The condensed interim consolidated financial information was approved for issue on 26 August 2015.

The condensed interim consolidated financial information has not been audited.

Key event

The operational highlight of the period was the acquisition of an additional 13% equity interests in Tibet Highland Natural Water Limited (西藏高原天然水有限公司; "Highland Natural Water") in January 2015 with cash consideration of RMB390,000,000. Highland Natural Water is a company that manufactures and distributes water products. The Group owned 20% equity interests in Highland Natural Water before this additional acquisition. Further details are given in Note 9.

2 BASIS OF PREPARATION

The condensed interim consolidated financial information for the six months ended 30 June 2015 has been prepared in accordance with International Accounting Standard 34, 'Interim financial reporting'. The condensed interim consolidated financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements of the Group for the year ended 31 December 2014, as described in those annual financial statements.

Amendments to IFRSs effective for the financial year ending 31 December 2015 do not have a material impact on the Group.

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

There are no other amended standards or interpretations that has become effective for the first time for this interim period that could be expected to have a material impact on the Group.

4 ESTIMATES

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

In preparing the condensed interim consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements of the Group for the year ended 31 December 2014.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The condensed interim consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2014.

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

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities except for the new bank borrowing amounting to RMB200,000,000 (Note 13).

The contractual undiscounted cash outflows from such borrowing are as follows:

	Less than 1 year	1-2 years
	<i>RMB'000</i>	<i>RMB'000</i>
At 30 June 2015		
Borrowing	<u>104,538</u>	<u>102,007</u>

Due to certain arrangement of the borrowing, the bank has the potential rights to demand for repayment of the loan before its contractual maturity dates. Thus the borrowing is recorded as current liability in the balance sheet.

5.3 Fair value estimation

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

The carrying amounts of the Group's non-current financial liabilities approximated their fair values as they carry interests at the market interest rate or approximate to the market interest rate.

6 SEGMENT INFORMATION

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

The Group has two business segments, being the production and sales of (1) premium bottled mineral water products, and including selling of bottle preforms and caps; and (2) highland barley beer products.

The Board assesses the performance of the operating segments based on measures of revenue, cost of sales and gross profit.

The segment information provided to the Board for the reportable segments for the six months ended 30 June 2015 is as follows:

	Water products RMB'000	Beer products RMB'000	Inter-segment elimination RMB'000	Group RMB'000
Segment revenue	219,523	208,491	(533)	427,481
Cost of sales	<u>(61,210)</u>	<u>(114,074)</u>	<u>430</u>	<u>(174,854)</u>
Gross profit for the period	<u>158,313</u>	<u>94,417</u>	<u>(103)</u>	<u>252,627</u>
Income tax expense	<u>11,005</u>	<u>6,693</u>	<u>—</u>	<u>17,698</u>
Depreciation and amortisation	<u>11,360</u>	<u>26,239</u>	<u>—</u>	<u>37,599</u>
Segment assets	1,918,900	2,000,175	(488,742)	3,430,333
Deferred income tax assets				2,761
Corporate assets				<u>232,946</u>
Total assets				<u>3,666,040</u>

The segment information provided to the Board for the reportable segments for the six months ended 30 June 2014 is as follows:

	Water products <i>RMB'000</i>	Beer products <i>RMB'000</i>	Inter-segment elimination <i>RMB'000</i>	Group <i>RMB'000</i>
Segment revenue	167,567	161,779	(2,949)	326,397
Cost of sales	<u>(31,033)</u>	<u>(94,908)</u>	<u>2,261</u>	<u>(123,680)</u>
Gross profit for the period	<u>136,534</u>	<u>66,871</u>	<u>(688)</u>	<u>202,717</u>
Income tax expense	<u>28,563</u>	<u>9,071</u>	<u>—</u>	<u>37,634</u>
Depreciation and amortisation	<u>10,833</u>	<u>26,186</u>	<u>—</u>	<u>37,019</u>
Segment assets	1,222,447	1,712,442	(45,755)	2,889,134
Deferred income tax assets				6,914
Corporate assets				<u>337,139</u>
Total assets				<u>3,233,187</u>

7 REVENUE

Revenue from external customers is derived from the sales of premium bottled mineral water products and beer products. From the second half of 2014, the Group started to sell bottle preforms and caps to an associate and generated revenue from those activities. Breakdown of the revenue is as follows:

	Unaudited	
	Six months ended	
	30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of mineral water products	195,937	164,618
Sales of beer products	208,491	161,779
Sales of bottle preforms and caps (Note 19)	22,027	—
Others (Note 19)	<u>1,026</u>	<u>—</u>
	<u>427,481</u>	<u>326,397</u>

All the Group's revenue was derived in the PRC for the six months ended 30 June 2015 and 2014.

8 PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS, INTANGIBLE ASSETS AND GOODWILL

	Unaudited			
	Property, plant and equipment <i>RMB'000</i>	Land use rights <i>RMB'000</i>	Intangible assets <i>RMB'000</i>	Goodwill <i>RMB'000</i>
Opening net book amount at 1 January 2015	661,256	32,141	176,724	721,139
Additions	30,969	—	—	—
Depreciation and amortisation (Note 15)	<u>(26,288)</u>	<u>(359)</u>	<u>(10,952)</u>	<u>—</u>
Closing net book amount at 30 June 2015	<u>665,937</u>	<u>31,782</u>	<u>165,772</u>	<u>721,139</u>
Opening net book amount at 1 January 2014	695,523	32,865	198,810	721,139
Additions	9,721	—	—	—
Depreciation and amortisation (Note 15)	<u>(25,708)</u>	<u>(359)</u>	<u>(10,952)</u>	<u>—</u>
Closing net book amount at 30 June 2014	<u>679,536</u>	<u>32,506</u>	<u>187,858</u>	<u>721,139</u>

9 INVESTMENT IN AN ASSOCIATE

The Group acquired 20% equity interests in Highland Natural Water in November 2014, which then became an associate of the Group after the acquisition. On 29 January 2015, the Group acquired an additional 13% equity interests in Highland Natural Water and increased its total shareholding to 33% with cash consideration of RMB 390,000,000 (the “second acquisition”). No significant transaction costs was incurred in the second acquisition. A notional goodwill of RMB342,523,000 has been identified as a result of the second acquisition. The movement of the investment in an associate is as follows:

	Six months ended 30 June 2015 <i>RMB'000</i> <i>Unaudited</i>
Beginning of the period	601,263
Additional acquisition	390,000
Share of post-tax profits of an associate	<u>13,527</u>
End of the period	<u>1,004,790</u>

10 TRADE RECEIVABLES

Trade receivables represent those due from third party customers with good credit history and low default rates. As at 30 June 2015, the aging analysis of trade receivables was as follows:

	As at	
	30 June 2015	31 December
	<i>RMB'000</i>	2014
	<i>Unaudited</i>	<i>Audited</i>
Within 6 months	116,701	147,890
Over 6 months but within 1 year	116,783	699
Over 1 year but within 2 years	102,578	182,267
Over 2 years	<u>1,370</u>	<u>1,428</u>
	<u>337,432</u>	<u>332,284</u>

As at 30 June 2015 and 31 December 2014, no trade receivables were impaired and provided for.

11 SHARE CAPITAL, SHARE PREMIUM AND RESERVES

	Number of ordinary shares (<i>thousand</i>)	Nominal value of ordinary shares (<i>HKD'000</i>)	Unaudited Equivalent nominal value of ordinary shares (<i>RMB'000</i>)	Share premium (<i>RMB'000</i>)	Reserves (<i>RMB'000</i>)
Opening balance at 1 January 2015	2,568,893	25,689	21,363	1,206,829	210,182
Other comprehensive income	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>48</u>
At 30 June 2015	<u>2,568,893</u>	<u>25,689</u>	<u>21,363</u>	<u>1,206,829</u>	<u>210,230</u>
Opening balance at 1 January 2014	2,568,893	25,689	21,363	1,206,829	195,525
Other comprehensive loss	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(173)</u>
At 30 June 2014	<u>2,568,893</u>	<u>25,689</u>	<u>21,363</u>	<u>1,206,829</u>	<u>195,352</u>

12 TRADE PAYABLES

As at 30 June 2015, the aging analysis of the trade payables was as follows:

	As at	
	30 June 2015	31 December 2014
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Audited</i>
Within 45 days	63,621	49,797
Over 45 days but within 6 months	43,033	61,790
Over 6 months but within 1 year	7,469	3,707
Over 1 year but within 2 years	3,604	1,276
Over 2 years	<u>1,684</u>	<u>770</u>
	<u>119,411</u>	<u>117,340</u>

13 BORROWINGS

	As at	
	30 June 2015	31 December 2014
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Audited</i>
Non-current		
Long-term borrowing from government — Unsecured (a)	<u>91,423</u>	<u>91,549</u>
	<u>91,423</u>	<u>91,549</u>
Current		
Current portion of long-term borrowing from government- Unsecured (a)	47,481	99,616
Short-term borrowing from a bank (b)	<u>200,000</u>	<u>—</u>
	<u>247,481</u>	<u>99,616</u>
Total borrowings	<u>338,904</u>	<u>191,165</u>

The borrowings were denominated in RMB as at 30 June 2015 and 31 December 2014.

- (a) The borrowing was granted to Tibet Tiandi Green Beverage Development Co., Ltd. (“Tiandi Green”) by the Tibet Autonomous government through Tibet Autonomous Region Investment Company. Based on the original agreement between Tiandi Green and Tibet Autonomous Region Investment Company, the borrowing with principal amount of RMB 200,000,000 was unsecured and the term of the borrowing was from 1 July 2009 to 30 June 2014. On 1 July 2014, Tiandi Green entered an extension agreement with Tibet Autonomous Region Investment Company to extend the borrowing to 10 December 2016. According to the new agreement, the loan is unsecured, interest-free and repayable based on the following schedule: repayments of RMB 55,000,000, RMB 50,000,000 and RMB 95,000,000 on 6 January 2015, 10 December 2015 and 10 December 2016 respectively. The borrowing was recorded initially at fair value and subsequently carried at amortised cost using the effective interest rate at 4.00% per annum. The difference between the fair value of the borrowing and the cost amounted to RMB2,739,000 was recorded as government grant and amortised over the term of the loan.
- (b) The borrowing was granted to Tiandi Green by a bank with principal amount of RMB200,000,000. The borrowing was guaranteed by Tibet Glacier Mineral Co., Ltd., a subsidiary of the Group. The interest rate was based on the directive interest rate announced by the People’s Bank of China. The tenure of the borrowing is from 28 January 2015 to 27 January 2017. According to the agreement, the borrowing should be repaid based on the following schedule: repayments of RMB50,000,000, RMB50,000,000 and RMB100,000,000 on 27 July 2015, 27 January 2016 and 27 January 2017 respectively. Due to certain arrangements of the borrowing, the bank has the potential right to request for repayment of the loan before the contractual maturity dates. Accordingly, the entire loan amount has been recorded as current liability in the balance sheet.

The Group had no undrawn borrowing facilities as at 30 June 2015 and 31 December 2014.

14 OTHER GAINS, NET

	Unaudited	
	Six months ended	
	30 June	
	2015	2014
	RMB’000	RMB’000
		<i>(Represented)</i>
- Government grants (a)	8,399	81,565
- Gain on disposal of AFS (b)	2,532	8,692
- Others	(162)	80
	<u>10,769</u>	<u>90,337</u>

- (a) The amount mainly related to the government grants received by the Group’s subsidiaries in Tibet in relation to the domestic subsidiaries’ fiscal contribution to the local economic development as a major tax payer and employer in Tibet. In November 2014, the PRC government issued a notice requesting for revisiting certain subsidy policies implemented by local governments. Accordingly, the Tibet local government has been revisiting relevant

subsidy policies and has postponed the approval and payment of government grants to the Group in the six months ended 30 June 2015. In May 2015, the PRC government issued another notice for resuming the government subsidy policies that have been implemented by local governments, if those policies have prescribed periods, the government grant contracts signed by the local governments with enterprises should still be valid. Accordingly, the relevant government grants contracts of the Group will continue to be valid during the contract periods.

- (b) For the six months ended 30 June 2015, the Group purchased financial products amounting to RMB270,000,000 issued by financial institution in the PRC. These investments retain the possible loss of the principal amount invested, and were classified as AFS. These financial products will mature within one year with variable return rates indexed to the performance of underlying assets. As of 30 June 2015, the Group has disposed all these investments, resulting in a gain amounting to RMB2,532,000.

15 EXPENSES BY NATURE

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

	Unaudited	
	Six months ended	
	30 June	
	2015	2014
	RMB'000	RMB'000
Raw materials and consumables used	126,593	93,043
Decrease/(increase) in the balances of inventories of finished goods and work in progress	5,162	(7,018)
Transportation costs	34,307	14,078
Depreciation of property, plant and equipment (Note 8)	26,288	25,708
Amortisation of land use rights (Note 8)	359	359
Amortisation of intangible assets (Note 8)	10,952	10,952
Employee benefit expenses	34,234	27,141
Consulting and other service expenses	3,296	4,113
Advertising and marketing expenditure	6,646	11,530
City construction tax and education surcharge	6,270	5,397
Electricity and other utility expenses	4,660	5,391
Repair, maintenance and rental expenses	6,291	3,321
Others	2,925	4,524
	<u>267,983</u>	<u>198,539</u>

16 INCOME TAX EXPENSE

The Company was incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, there is no income, estate, corporation, capital gains or other taxes payable by the Company. 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. Entities in the Tibet Autonomous Region of the PRC were entitled to preferential tax rates of 9% and 15% for the six months ended 30 June 2015 and 2014 respectively. The remaining entities are taxed based on the statutory income tax rate of 25% for the six months ended 30 June 2015 and 2014 as determined in accordance with the relevant PRC income tax rules and regulations.

	Unaudited	
	Six months ended	
	30 June	
	2015	2014
	RMB'000	RMB'000
Current income tax	18,754	38,013
Deferred income tax	(1,056)	(379)
	<u>17,698</u>	<u>37,634</u>

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year ending 31 December 2015 is about 10% (the estimated tax rate for the six months ended 30 June 2014 was 17%).

17 EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the six months ended 30 June 2015 and 2014 is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares outstanding during the period.

	Unaudited	
	Six months ended	
	30 June	
	2015	2014
Profit attributable to owners of the Company (RMB'000)	141,492	164,602
Weighted average number of shares in issue (thousands)	<u>2,568,893</u>	<u>2,568,893</u>
Basic earnings per share (RMB cents per share)	<u>5.51</u>	<u>6.41</u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There are no dilutive potential ordinary shares as at 30 June 2015 and 2014. As such, the diluted earnings per share is the same as the basic earnings per share for the Company for the six months ended 30 June 2015 and 2014.

18 DIVIDENDS

A dividend of RMB 81,073,000 that relating to the year ended 31 December 2014 was paid in the six months ended 30 June 2015 (six months ended 30 June 2014: RMB 162,682,000 paid that relating to the year ended 31 December 2013). No dividend has been declared by the Company or any of its subsidiaries in respect of the six months ended 30 June 2015.

19 RELATED PARTY TRANSACTIONS

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

The Group is ultimately controlled by Mr. Wang Peter Jian (王堅先生) (the “Controlling Shareholder”).

(a) Transactions with related parties

	Unaudited	
	Six months ended	
	30 June	
	2015	2014
	RMB'000	RMB'000
Revenue from license fee (i)		
- An entity under common control	20	20
Purchase of goods or services (ii)		
- An entity under common control	39	311
Lease expenses (iii)		
- An entity controlled by Mr. Yu Yiping Wallace, the director of the Company	—	237
Revenue from other miscellaneous income (iv) (Note 7)		
- An associate	1,026	—
Revenue from selling of bottle preforms and caps (iv) (Note 7)		
- An associate	<u>22,027</u>	<u>—</u>

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

(ii) Goods were bought from an entity controlled by the Controlling Shareholder based on agreed terms between both parties.

(iii) Lease expenses were from the leasing fee of a vehicle from an entity controlled by the director of the Company based on terms and conditions agreed by both parties.

(iv) These were the transactions between the Group and Highland Natural Water. The transactions were based on prices at cost plus certain mark-up agreed between both parties.

(b) **Balances with related parties:**

	As at	
	30 June	31 December
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Audited</i>
Other receivables		
- An associate - Highland Natural Water	49,884	2,134
Trade receivables		
- An associate - Highland Natural Water	<u>18,142</u>	<u>—</u>

Trade and other receivables from an associate are unsecured, non-interested bearing and repayable on demand.

(c) **Key management compensation**

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

	Unaudited	
	Six months ended	
	30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other short-term employee benefits	<u>4,651</u>	<u>4,032</u>

20 COMMITMENT

(a) Capital commitments

As at 30 June 2015 and 31 December 2014, capital expenditures contracted for but not yet incurred were as follows:

	As at	31 December
	30 June 2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Audited</i>
PP&E	<u>4,504</u>	<u>—</u>

(b) Operating lease commitments

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

	As at	31 December
	30 June 2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Audited</i>
No later than 1 year	6,374	6,378
Later than 1 year and no later than 5 years	<u>6,017</u>	<u>9,213</u>
	<u>12,391</u>	<u>15,591</u>

21 SEASONALITY OF OPERATIONS

The sales of the Group for water and beer products are subject to seasonal fluctuations, with peak demand in the second and third quarters of the year. This is due to seasonal weather conditions. In the financial year ended 31 December 2014, the Group has a major sales contract with a customer. The contract period was from 1 July 2014 to 30 June 2015 and the sales under this contract accounted for 22% of total sales in the second half of 2014 and 12% of total sales in the first half of 2015. If exclude sales under this contract, in the financial year ended 31 December 2014, 48% of revenues would have been accumulated in the first half of the year, with 52% accumulating in the second half.

22 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

In July 2015, the Group and China Kweichow Moutai Winery (Group) Co., Ltd. (中國貴州茅台酒廠(集團)有限公司) jointly established a company - Moutai Group Tibet 5100 Mineral Water Co., Ltd. (茅台集團西藏5100礦泉水有限公司). The registered share capital of this company is RMB100,000,000, with each party contributing 50% of the equity shares. The main business of this company is distribution of barrelled water products.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2015, we continued our endeavors in supplying high quality products and premium services to our customers.

Although facing stronger competition and more challenging environment in the first half of 2015, the Group was able to increase the sales volume of both our bottled water products and beer products and to maintain the share of total revenue in our retail distribution channel of our bottled water products in our mineral water business segment at a level above 50%.

As at 30 June 2015, the geographical coverage of our retail sales channel (owned by third parties) of our mineral water business segment covered 111 cities, and the number of distributors and the number of sales outlets were 270 and 9,596, respectively.

In July 2013, we obtained control over Tiandi Green. Highland barley beer of Tiandi Green was sold within and outside of the Tibet Autonomous Region. In the first half of 2015, the share of total revenue of our highland barley beer business segment from sales of our beer products within and outside of the Tibet Autonomous Region was 97% and 3%, respectively.

The share of our 5100 Glacial Water Water Card business in the total revenue of our bottled water product in our mineral water business segment in the first half of 2015 was 14%, and continued to be one of our major sources of profit in our mineral water business segment. To enhance our e-commerce sales platform and to increase future sales, we developed our self-operated e-commerce platform to sell and redeem the Water Cards through our official website and developed a mobile application programme to serve clients since 2013. Both platforms have continuously been strengthened and continued to run seamlessly and effectively throughout the first half of 2015, each achieving the purpose of increasing on-line sales and accumulating consumers data for analytical purpose.

On 30 June 2014, the Group entered into a procurement agreement with China Railway Express Co., Ltd. (“CRE”), the term of such agreement was for a period of one year between 1 July 2014 and 30 June 2015. This agreement expired on 30 June 2015. The management of the Group has been exploring with companies within the China Railway group on possible future co-operation opportunities.

FINANCIAL REVIEW

In the first half of 2015, total sales of the Group amounted to RMB427 million, representing an increase of RMB101 million or 31% from the total sales of the Group of RMB326 million in the first half of 2014.

Although there was a decrease in fixed costs per tonne due to an increase in production volume, the gross profit margin of our bottled water products in our mineral water business segment has decreased from 82.5% in the first half of 2014 to 79.4% in the first half of 2015, mainly because of a change in our customer mix. Besides, mainly due to optimization of our beer product mix, and the impact of a decrease in fixed costs per tonne due to an increase in production volume, the gross profit margin of our highland barley beer business segment has increased from 41.3% in the first half of 2014 to 45.3% in the first half of 2015. The above mentioned changes in gross profit margin ratios mainly resulted in the decrease in the overall gross profit margin of the Group from 62.1% in the first half of 2014 to 59.1% in the first half of 2015.

REVENUE

In the first half of 2015, total sales of RMB427 million of the Group, consisted of the revenue generated from the sales of RMB219 million of our mineral water business segment, representing an increase of 33% from the relevant sales of approximately RMB164 million in the first half of 2014, and the sales of RMB208 million of our highland barley beer business segment, representing an increase of 29% from the relevant sales of RMB162 million in the first half of 2014.

In the first half of 2015, the sales of bottled mineral water to CRE accounted for 12% of total sales of the Group of RMB427 million.

The average selling price of our mineral water products decreased from RMB10,658 per tonne in the first half of 2014 to RMB6,810 per tonne in the first half of 2015, which was mainly attributable to a change in our customer mix. Besides, the average selling price of our highland barley beer products increased from RMB5,899 per tonne in the first half of 2014 to RMB6,205 per tonne in the first half of 2015, which was mainly attributable to optimization of our beer product mix. The above mentioned changes in average selling prices led to the decrease in the total average selling price from RMB7,614 per tonne in the first half of 2014 to RMB6,484 per tonne in the first half of 2015.

SALES VOLUME

In the first half of 2015, the total sales volume of the Group amounted to 62,370 tonnes, consisted of 28,772 tonnes in our mineral water business segment and 33,598 tonnes in our highland barley beer business segment, representing an increase of 45% compared to the total sales volume of 42,869 tonnes in the first half of 2014.

In respect of our mineral water business segment, sales volume of bottled mineral water supplied to CRE in the first half of 2015 amounted to 15,614 tonnes.

OTHER NET GAINS

Other net gains mainly included government grants, which were recognized at their fair value based on reasonable assurance that such grants would be received and the Group would comply with all attached conditions. In addition to these government grants, other net gains included gains on disposal of AFS. The overall decrease in other net gains of RMB80 million was mainly attributable to the decrease in overall government grants from RMB82 million in the first half of 2014 to RMB8 million in the first half of 2015, and the decrease in gains on disposal of AFS of RMB6 million.

As our main production processes are carried out in Tibet, we enjoy relevant government grants from time to time. The amount of grants we received from the government of Tibet was calculated 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., Tibet Zhongji Jiahua Industry Co., Ltd. and Tiandi Green, our indirect subsidiaries established in the Tibet Lhasa Economic and Technology Development Zone, entered into the government grant agreements with the Economic Development Bureau of the Tibet Lhasa Economic and Technology Development Zone, under which the three companies were granted enterprise development funds, calculated with reference to the individual fiscal contribution of the three companies to the local government in Tibet. Based on the relevant rules in Tibet, enterprises that operate in Tibet and make fiscal contributions to the local government are eligible for applying for such government grants.

In November 2014, the PRC government issued a notice requesting for revisiting certain subsidy policies implemented by local governments. Accordingly, the Tibet local government has been revisiting relevant subsidy policies and has postponed the approval and payment of government grants to the Group in the first half of 2015. In May 2015, the PRC government issued another notice for resuming the government subsidy policies that have been implemented by local governments, if those policies have prescribed periods, the government grant contracts signed by the local governments with enterprises should still be valid. Accordingly, as the relevant government grants contracts of the Group have prescribed periods, these contracts will continue to be valid during the contract periods.

SHARE OF POST-TAX PROFITS OF AN ASSOCIATE

The Group acquired 20% equity interests in Highland Natural Water on 5 November 2014 and subsequently acquired an additional 13% equity interests in Highland Natural Water on 29 January 2015. In the first half of 2015, the Group's ownership of equity interests in Highland Natural Water has generated a share of the post-tax profits of an associate in the amount of RMB14 million, after making adjustments amounted to approximately RMB3 million for a share of the amortization of intangible assets and the depreciation of revaluation surplus of PPE arising from a valuation conducted for the acquisition of the equity interests in Highland Natural Water on 5 November 2014. The sales volume and revenue in respect of Highland Natural Water in the first half of 2015 were approximately 49,208 tonnes and approximately RMB145 million, respectively, and which were accounted for using the equity method.

FINANCE NET LOSS

Finance net loss of RMB1 million included finance income and finance costs. In the first half of 2015, finance income and finance cost in respect of our mineral water business segment amounted to RMB6 million and RMB2 million, respectively, and finance income and finance costs in respect of our highland barley beer business segment amounted to RMB1 million and RMB6 million, respectively. This represents a slightly decrease of RMB1 million in total finance income and slightly increase of approximately RMB2 million in total finance costs, compared to RMB8 million and RMB6 million in the first half of 2014, respectively.

INCOME TAX CHARGE

The income tax charge of the Group decreased by RMB20 million or 53% from RMB38 million in the first half of 2014 to RMB18 million in the first half of 2015. The effective tax rate in the first half of 2015 and the first half of 2014 was 10% and 17%, respectively. Such a decrease in the effective tax rate was mainly because the tax rate applicable to entities in Tibet Autonomous Region of the PRC decreased from 15% to 9%.

PROFIT FOR THE HALF YEAR PERIOD

Comparing to the first half of 2014, selling and distribution expenses for the first half of 2015 increased by RMB17 million mainly due to the increase in transportation expenses as a result of the increase in sales volume, and the increase in the sales force expenses. Comparing to the first half of 2014, other net gains for the first half of 2015 decreased by RMB80 million mainly due to the decrease in government grants.

Notwithstanding the decrease in government grants mentioned above, net profit of RMB165 million of the Group for the first half of 2015 only decreased moderately by RMB17 million or 9% from the first half of 2014. It was mainly attributable to the increase in the gross profit of RMB50 million resulted from the fact that both total sales volume and total revenue of the Group in the first half of 2015 increased by 45% and 31% compared to the first half of 2014, respectively. Besides, it was also attributable to the share of post-tax profits of RMB14 million of an associate amounted to in the first half of 2015.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company decreased by RMB23 million, or 14%, from approximately RMB164 million in the first half of 2014 to RMB141 million in the first half of 2015, which was in line with the decrease in net profits, after deducting the non-controlling interest of RMB24 million in Tiandi Green during the relevant reporting period.

FINANCIAL POSITION

As at 30 June 2015, investment in an associate of the Group amounted to RMB1,005 million, compared to RMB601 million as at 31 December 2014. After the Group acquired 20% equity interest in Highland Natural Water on 5 November 2014, the Group acquired an additional 13% equity interests in Highland Natural Water with cash consideration of RMB390 million on 29 January 2015. The increase in investment in an associate of RMB404 million was mainly attributable to such an additional acquisition.

As at 30 June 2015, trade receivables of the Group amounted to RMB337 million compared to RMB332 million as at 31 December 2014. Among the trade receivables of RMB337 million, there was a decrease in the rolling accumulated amount due from a customer of the Group from RMB289 million as at 31 December 2014 to RMB268 million as at 30 June 2015, of which RMB87 million had been further collected on or before 26 August 2015. As at 26 August 2015, trade receivables as at 30 June 2015 of RMB9 million aged over 1 year, but within 2 years, and RMB172 million aged within 1 year from such customer.

In view of the decrease in the trade receivables from such customer, out of the total trade receivables of the Group, and taking into account the history of business dealings, and the strategic business relationship with such customer, the Group considers that there is no objective evidence of an impairment loss to the trade receivable due from such customer. The Group also expects to receive further sums of moneys from such customer before the end of December 2015 as settlement of its trade receivables.

There has never been any write-off on the trade receivable due from such customer in the past. Moreover, the Group maintains regular contact with our major debtors through meetings and telephone conversations to understand the status of their operations, their continuing business needs and ways in which the Group can improve its services. During such meetings and conversations, the Group is not aware of any material circumstances indicating any problems in recovering its trade receivables from its major debtors. As a result, no trade receivable was impaired and provided for as at 30 June 2015.

As at 30 June 2015, prepayments (including current and non-current) of the Group slightly decreased to RMB35 million from RMB36 million as at 31 December 2014.

As at 30 June 2015, other receivables and other assets (including current and non-current) of the Group amounted to RMB72 million compared to RMB44 million as at 31 December 2014. The amount due from an associate increased by RMB48 million but the amount due from a third party decreased by RMB14 million, mainly leading to an overall increase in the total amount of other receivables and other assets.

As at 30 June 2015, the cash and cash equivalents of the Group amounted to RMB566 million compared to RMB763 million as at 31 December 2014. After deducting the effect brought by the cash and cash equivalents generated from operations, the net proceeds from borrowings and the repayment received from third parties in the first half of 2015, the decrease was mainly attributable to payments made for acquiring the 13% equity interests of Highland Natural Water, an advance to an associate and the payment of dividends in the first half of 2015.

As at 30 June 2015, deferred revenue and advances received from customers (including current and non-current) of the Group amounted to RMB85 million compared to RMB91 million as at 31 December 2014. Deferred revenue decreased by RMB1 million and advances received from customers decreased by RMB5 million, mainly leading to an overall decrease in the total amount of deferred revenue and advances received from customers.

As at 30 June 2015, deferred income tax liabilities of the Group amounted to RMB25 million compared to RMB36 million as at 31 December 2014. The decrease was mainly attributable to the crystallization of deferred income tax liabilities of RMB10 million as at 31 December 2014 in the first half of 2015.

As at 30 June 2015, enterprise income tax payable of the Group was RMB12 million compared to no such payable as at 31 December 2014. It was mainly because the fourth quarter enterprise income tax payable of 2014 was settled in 2014.

As at 30 June 2015 and as at 31 December 2014, borrowings (including current and non-current) of the Group amounted to RMB339 million and RMB191 million, respectively. Compared to 31 December 2014 and after considering the impact of repaying RMB55 million, the increase was mainly due to a loan of RMB200 million borrowed on 28 January 2015.

The Group's net current assets and net assets as at 30 June 2015 were RMB582 million and RMB3,035 million, respectively, and net current assets and net assets as at 31 December 2014 were RMB894 million and RMB2,951 million, respectively. Although having significant earnings of RMB165 million in the first half of 2015, the net current assets nonetheless decreased, which was mainly attributable to the payment of dividends of RMB81 million, and the payments of RMB390 million for acquiring 13% equity interest in Highland Natural Water. Regarding the increase in net assets, considering the Group's payment of dividends of RMB81 million in the first half of 2015, the increase in net assets was mainly attributable to the earnings of 2015.

EMPLOYEES

As at 30 June 2015, the total number of employees for the Group was approximately 504 compared to 433 as at 30 June 2014. Relevant staff cost was RMB34 million in the first half of 2015, while our staff cost was RMB27 million for the first half of 2014. The Group's remuneration policies are formulated according to the duty, experience, ability and performance of individual employees and are reviewed annually. In addition to basic salary, employees are entitled to other benefits including social insurance contribution, employee provident fund schemes and discretionary incentive.

GEARING RATIO

The gearing ratio is calculated as borrowings divided by total capital. The total capital is calculated as "equity" as shown in the consolidated balance sheet plus borrowings. As at 30 June 2015 and 31 December 2014, the gearing ratio of the Group was 10.0% and 6.1%, respectively. Such an increase in the gearing ratio was mainly attributable to the increase in the net borrowings of RMB148 million.

MERGER AND ACQUISITION

The group acquired 20% equity interest in Highland Natural Water, a company specializing in the production and sale of bottled and barrelled highland natural water products, on 5 November 2014. The Company believes such an acquisition was complementary to our existing business. Please refer to the Company's announcement dated 5 November 2014 for further details.

The Group acquired an additional 13% equity interests in Highland Natural Water with cash consideration of RMB390 million on 29 January 2015. Together with the 20% equity interest acquired in November 2014, the Group owned 33% equity shares of Highland Natural Water after the above additional acquisition. Please refer to the Company's announcement date 29 January 2015 for further details.

SIGNIFICANT INVESTMENTS

In the first half of 2015, the Group acquired property, plant and equipment of approximately RMB31 million (in the first half of 2014: approximately RMB10 million). Regarding the future development and outlook of the Group, please refer to the section headed "Outlook" in this announcement.

CAPITAL COMMITMENTS

As at 30 June 2015, capital expenditures of the Group related to PP&E contracted for but not yet incurred were RMB5 million (as at 31 December 2014: Nil).

CHARGES

As at 30 June 2015 and 31 December 2014, the Group did not have any asset charges.

CONTINGENT LIABILITIES

As at 30 June 2015 and 31 December 2014, the Group did not have any significant contingent liabilities.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

In July 2015, the Group and China Kweichow Moutai Winery (Group) Co., Ltd. jointly established a company - Moutai Group Tibet 5100 Mineral Water Co., Ltd. The registered share capital of this company is RMB100 million, with each party contributing 50% of the equity shares. The main business of this company is distribution of barreled water products.

FOREIGN EXCHANGE RISK

The Group adopts a conservative approach to cash management and risk control. The Group mainly operates in the PRC with most of its business transactions denominated in RMB. 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 of Hong Kong Limited (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.

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

MINING LICENSE

The Group's current mining license of our water source will expire in October 2015 and the Group has commenced the application process for renewal or extension of the mining license according to the relevant requirements. In the past, the Group had successfully renewed the mining license for our water source in 2010. There is currently no objective risk or indication from the relevant government authority that it will terminate, or refuse to renew/extend, the mining license before its expiration. In addition, the Group will continue to search for potential opportunities to acquire new water sources.

PRODUCTION CAPACITY

The expected annual water production capacity and annual beer production capacity for the year ending 31 December 2015 are approximately 298,000 tonnes and 200,000 tonnes, respectively (for the year ended 2014: approximately 238,000 tonnes and 200,000 tonnes, respectively).

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

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

	Revised usage of net proceeds HKD'Million	Up to 30 June 2015 Utilized net proceeds HKD'Million	As at 30 June 2015 Unutilized net proceeds HKD'Million
Expand our production capacity by constructing additional facilities and purchasing additional production equipment	133	31	102
Expand our distribution network and toward promotional activities	206	16	190
Mergers and acquisitions that complement our existing business	1,092	1,092	—
Working capital and other general corporate purpose	<u>41</u>	<u>41</u>	<u>—</u>
	<u><u>1,472</u></u>	<u><u>1,180</u></u>	<u><u>292</u></u>

Up to 30 June 2015, the Group has utilized net proceeds amounting to HK\$31 million, HK\$16 million, HK\$1,092 million and HK\$41 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.

INTERIM DIVIDENDS

The Board did not recommend a payment of an interim dividend for the six months ended 30 June 2015 (for the six months ended 30 June 2014: nil).

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2015, the Company has complied with the code provisions as set out in the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and each of the Directors have confirmed that they have complied with the Model Code for the six months ended 30 June 2015. Specific employees who are likely to be in possession of inside information have been requested to comply with the provisions of the Model Code. No incident of non-compliance has been noted by the Company.

The Audit Committee of the Company, consisting of three independent non-executive Directors, has reviewed the accounting principles and practices adopted by the Group, and has reviewed the interim results for the six months ended 30 June 2015.

The Company’s external auditor, PricewaterhouseCoopers, has performed a review of the Group’s interim financial information for the six months ended 30 June 2015 in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. Based on their review, PricewaterhouseCoopers confirmed that nothing has come to their attention that causes them to believe that the interim financial information was not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim financial reporting”.

NON-COMPLIANCE WITH RULE 3.10A OF THE LISTING RULES

References are made to the announcements of the Company dated 8 December 2014 and 29 May 2015 in relation to the appointment/resignation of an executive director of the Company and the non-compliance with Rule 3.10A of the Listing Rules.

Following the resignation of Ms. Mou, the Board will have nine directors, of which three are independent non-executive directors, and will be in compliance with the requirements under Rules 3.10A of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s shares.

PUBLICATION OF INTERIM REPORT

Pursuant to the requirements of the Listing Rules regarding the reporting period, the 2015 interim report of the Company will set out all information disclosed in the interim results announcement for the six months ended 30 June 2015 and will be despatched to the shareholders and uploaded on the websites of the Company (<http://www.5100.net>) and the Stock Exchange (<http://www.hkexnews.hk>) in due course.

By order of the Board
Tibet 5100 Water Resources Holdings Ltd.
Jesper Bjoern MADSEN
Chairman

Hong Kong, 26 August 2015

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