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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

FINANCIAL HIGHLIGHTS

	Year ended 31 December		change
	2011	**2010**	**%**
Revenue (RMB'000)	**633,169**	360,526	↑76%
Profit attributable to owners of the Company (RMB'000)	**373,063**	115,213	↑224%
Earnings per share			
- Basic and diluted (RMB cents)	**16.18**	5.65	↑186%
Sales volume (tonnes)	**87,443**	81,576	↑7%
Gross Profit margin	**79%**	64%	↑23%

	At 31 December	
	2011	**2010**
Total assets (RMB'000)	**2,036,213**	459,886
Equity attributable to owners of the Company (RMB'000)	**1,853,992**	283,091

FINAL RESULTS

The board (the "Board") of directors (the "Directors") of Tibet 5100 Water Resources Holdings Ltd. (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2011, together with comparative figures prepared under International Financial Reporting Standards as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	**2011**	**2010**
		RMB'000	*RMB'000*
Revenue	5	**633,169**	360,526
Cost of sales		**(134,377)**	(128,328)
Gross profit		**498,792**	232,198
Distribution costs		**(113,427)**	(81,600)
Administrative expenses		**(49,999)**	(18,355)
Other gains, net	6	**105,509**	2,433
Operating profit		**440,875**	134,676
Finance income		**16,340**	522
Finance costs		**(2,299)**	(2,526)
Finance income/(costs), net		**14,041**	(2,004)
Profit before income tax		**454,916**	132,672
Income tax expense	8	**(81,853)**	(17,459)
Profit for the year		**373,063**	115,213
Profit attributable to owners of the Company		**373,063**	115,213
Earnings per share			
- basic and diluted	9	***RMB*16.18 cents**	*RMB*5.65 cents
Dividends	10	**62,681**	—

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	2010
	RMB'000	*RMB'000*
Profit for the year	**373,063**	115,213
Other comprehensive income:		
Foreign currency translation differences	**(30,354)**	(11)
Other comprehensive income for the year, net of tax	**(30,354)**	(11)
Total comprehensive income for the year	**342,709**	115,202
Total comprehensive income attributable to owners of the Company	**342,709**	115,202
Total comprehensive income for the year	**342,709**	115,202

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2011

	Notes	**2011**	2010
		RMB'000	*RMB'000*
Assets			
Non-current assets			
Land use rights		**1,268**	1,297
Property, plant and equipment	11	**283,054**	292,169
Deferred income tax assets		**3,106**	3,566
Prepayments		**13,111**	4,629
		300,539	301,661
Current assets			
Inventories		**22,053**	32,201
Trade receivables	12	**356,300**	71,991
Prepayments		**24,345**	16,680
Other receivables		**39,802**	2,570
Pledged and term deposits		**588,310**	—
Cash and cash equivalents		**704,864**	34,783
		1,735,674	158,225
Total assets		**2,036,213**	459,886
Equity			
Equity attributable to owners of the Company			
Share Capital		**21,363**	—
Share Premium		**1,206,829**	—
Reserves		**142,589**	166,212
Retained earnings			
- proposed final dividend	10	**62,681**	—
- others		**420,530**	116,879
		1,853,992	283,091
Total equity		**1,853,992**	283,091

CONSOLIDATED BALANCE SHEET *(continued)*
AS AT 31 DECEMBER 2011

	Notes	**2011**	2010
		RMB'000	*RMB'000*
Liabilities			
Non-current liabilities			
Deferred income		**11,267**	11,550
Deferred income tax liabilities		**10,413**	—
		21,680	11,550
Current liabilities			
Trade payables	13	**49,369**	14,516
Deferred revenue and advances received from customers		**41,340**	26,050
Enterprise income tax payable		**9,973**	—
Accruals and other payables		**59,859**	124,679
		160,541	165,245
Total liabilities		**182,221**	176,795
Total equity and liabilities		**2,036,213**	459,886
Net current assets/(liabilities)		**1,575,133**	(7,020)
Total assets less current liabilities		**1,875,672**	294,641

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Attributable to owners of the Company				
	Share capital	Share Premium	Reserves	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010			150,458	14,431	164,889
Profit for the year	—	—	—	115,213	115,213
Currency translation differences	—	—	(11)	—	(11)
Total comprehensive income for the year	—	—	(11)	115,213	115,202
Appropriations to statutory reserve surplus	—	—	12,765	(12,765)	—
Contribution from Controlling Shareholder	—	—	3,000	—	3,000
At 31 December 2010	—	—	166,212	116,879	283,091
Profit for the year	**—**	**—**	**—**	**373,063**	**373,063**
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**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	2010
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash generated from operations	**215,060**	113,065
Interest received	**3,073**	420
Income tax paid	**(60,924)**	(20,718)
Net cash generated from operating activities	**157,209**	92,767
Cash flows from investing activities		
Purchases of property, plant and equipment ("PP&E")	**(33,325)**	(28,948)
Cash received relating to PP&E	**—**	11,550
Increase in term deposits	**(567,490)**	—
Net cash used in investing activities	**(600,815)**	(17,398)
Cash flows from financing activities		
Repayments of bank borrowings	**—**	(79,000)
Cash used in financing activities with third parties	**(30,677)**	(20,033)
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)**	(2,137)
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**	—
Interest paid	**—**	(2,447)
Net cash generated from/(used in) financing activities	**1,139,176**	(103,617)
Net increase/(decrease) in cash and cash equivalents	**695,570**	(28,248)
Cash and cash equivalents at beginning of year	**34,783**	64,034
Exchange translation losses on cash and cash equivalents	**(25,489)**	(1,003)
Cash and cash equivalents at end of year	**704,864**	34,783

Notes:

1 GENERAL INFORMATION OF THE GROUP

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") on 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 on 23 March 2012.

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

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("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 Reorganisation mentioned in Note 1 represents a business combination involving entities under common control of the Controlling Shareholder. Accordingly, the consolidated financial statements of the Group as at and for the year ended 31 December 2010 have been prepared using the financial information of the companies engaged in the Group's Business as if the current group structure had been in existence throughout the year ended 31 December 2010 or since the respective dates incorporation/establishment of the combining companies, whichever is a shorter period.

2.2 **Changes in accounting policy and disclosures**

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

— IAS 24 (Revised) 'Related Party Disclosures'

— Amendment to IAS 32 'Classification of rights issues'

— Amendment to IFRIC - Int-14 'Prepayments of a minimum funding requirement'

— IFRIC - Int 19 'Extinguishing financial liabilities with equity instruments'

— Third improvements to International Financial Reporting Standards (2010) were issued in May 2010 by IASB.

(b) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted. They are not expected to have a material impact on the Group's consolidated financial statements.

— IFRS 7 (Amendment) 'Disclosures — Transfers of financial assets'

— IFRS 1 (Amendment) 'Severe hyperinflation and removal of fixed dates for first-time adopters'

— IAS 12 (Amendment) 'Deferred tax: Recovery of underlying assets'

— IAS 1 (Amendment) 'Presentation of financial statements'

— IFRS 10 'Consolidated financial statements'

— IAS 27 (revised 2011) 'Separate financial statements'

— IFRS 11 'Joint arrangements'

— IAS 28 (revised 2011) 'Associates and joint ventures'

— IFRS 12 'Disclosure of interests in other entities'

— IFRS 13 'Fair value measurements'

— IAS 19 (Amendment) 'Employee benefits'

— IFRS 7 (Amendment) 'Financial instruments: Disclosures - Offsetting financial assets and financial liabilities'

— IFRIC - Int 20 'Stripping costs in the production phase of a surface mine'

— IAS 32 (Amendment) 'Financial instruments: Presentation - Offsetting financial assets and financial liabilities'

— IFRS 9 'Financial Instruments'

— IFRS 7 and IFRS 9 (Amendments) 'Mandatory effective date and transition disclosures'

3 FINANCIAL RISK MANAGEMENT

The Group's activities are exposed 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.

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

5 REVENUE

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

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Sales of goods	**633,169**	360,526

Revenue from external customers of the Group is derived in the PRC for the years ended 31 December 2011 and 2010.

Revenue of approximately RMB390,338,000 or 62% is derived from a single external customer for the year ended 31 December 2011 (2010: RMB290,306,000 or 81%).

6 OTHER GAINS, NET

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Government grants (a)	**105,191**	2,484
Others	**318**	(51)
	105,509	2,433

(a) According to Zang Zheng Ban 藏政辦 [1997] No 24, Zang Cai Qi Zi 藏財企字 [2010] No. 93 and La Kai Cai Zhu Zi 拉開財駐字[2010] No. 29, the Group is eligible to subsidy income from the local government in relation to the domestic subsidiaries' fiscal contribution to the local economic development as a major tax payer and employer in the Tibet Autonomous Region. The Group recognised such income of RMB105 million for the year ended 31 December 2011 (2010: nil).

7 EXPENSES BY NATURE

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

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Raw materials and consumables used	**91,333**	90,264
Decrease in the balances of inventories of finished goods	**5,270**	541
Transportation costs	**86,910**	78,791
Depreciation of PP&E (Note 11)	**16,477**	15,363
Employee benefit expenses	**36,871**	15,709
Advertising and marketing expenditure	**12,044**	1,855
Taxations	**10,447**	9,600
Electricity and other utility expenses	**3,453**	6,040
Rental expenses	**1,748**	743
Share issuance costs	**6,556**	—
Consulting and other service expenses	**6,931**	—
Repair and maintenance	**1,779**	2,021
Amortisation of land use rights	**29**	29
Auditors' remuneration	**2,000**	120
Exploration rights expenses	**500**	500
Office and consumption expenses	**9,798**	2,272
Others	**5,657**	4,435
	297,803	228,283

8 INCOME TAX EXPENSE

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

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Current income tax	**70,980**	19,398
Deferred income tax charge/(credit)	**10,873**	(1,939)
Income tax expense	**81,853**	17,459

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	
	2011	2010
	RMB'000	*RMB'000*
Profit before income tax	**454,916**	132,672
Tax calculated at statutory tax rate of 25%	**113,729**	33,168
Preferential tax rates on income of certain group entities	**(47,337)**	(18,479)
Tax losses of certain group entities for which no deferred income taxes assets were recognised	**3,342**	3,122
Expenses not deductible for tax purposes	**119**	189
Losses not subject to tax	**1,893**	—
Effect of difference between preferential tax rate and statutory tax rate on recognition of deferred tax	**(306)**	(541)
Withholding tax for undistributed profits from subsidiaries	**10,413**	—
Income tax expense	**81,853**	17,459

The weighted average tax rate is 15.0% for the year ended 31 December 2011 (2010: 12.8%).

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. One entity in the Tibet Autonomous Region of the PRC was entitled to preferential rates of 15% for the year ended 31 December 2011 (2010: 7.5%); other entities located in the Tibet Autonomous Region of the PRC were taxed at preferential rate of 15% for the year ended 31 December 2011 (2010: 15%); the remaining entities are taxed based on the statutory income tax rate of 25% for the year ended 31 December 2011 (2010: 15) as determined in accordance with the relevant PRC income tax rules and regulations.

9 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 2011 and 2010.

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**373,063**	115,213
Weighted average number of ordinary shares in issue (thousands)	**2,305,462**	2,040,710
Earnings per share (basic and diluted)	**RMB16.18 cents**	RMB5.65 cents

10 DIVIDENDS

No dividends was paid in 2011 and 2010. A dividend in respect of the year ended 31 December 2011 of HKD0.03 per share (2010: nil), which is equivalent to a total dividend of approximately RMB62,681,000 (2010: nil), is to be proposed at the annual general meeting. These financial statements do not reflect this dividend payable. The Group'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.

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Vehicles	Others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010						
Cost	37,998	175,653	440	42,184	19,939	276,214
Accumulated depreciation	(3,008)	(19,553)	(173)	(5,272)	—	(28,006)
Impairment (a)	—	(2,311)	—	—	—	(2,311)
Net book amount	34,990	153,789	267	36,912	19,939	245,897
Year ended 31 December 2010						
Opening net book amount	34,990	153,789	267	36,912	19,939	245,897
Additions	495	3,563	—	911	56,666	61,635
Transfer upon completion	—	23,532	—	—	(23,532)	—
Depreciation charges	(1,296)	(12,301)	(71)	(1,695)	—	(15,363)
Closing net book amount	34,189	168,583	196	36,128	53,073	292,169
At 31 December 2010						
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	**(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**

(a) Certain idle machineries with the cost amounting to RMB2,978,000 are considered obsolete, 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 for 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	
	2011	2010
	RMB'000	*RMB'000*
Cost of sales	**15,088**	14,086
Distribution costs	**9**	—
Administrative expenses	**1,380**	1,277
	16,477	15,363

As at 31 December 2011, no property, plant and equipment had been fully depreciated (2010: nil).

As at 31 December 2011, the Group is in the process of applying for registration of the ownership certificates for certain of its buildings with an aggregate net book value of approximately RMB21,129,000 (2010: RMB21,605,000). 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 2011 (2010: nil).

12 TRADE RECEIVABLES

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Trade receivables due from third parties	**356,300**	71,991
Less: Provision for impairment of receivables	**—**	—
	356,300	71,991

As at 31 December 2011 and 2010, 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. As a result, the Group regards any receivable balance within a two-month credit period as not overdue. As at 31 December 2011, the ageing analysis of trade receivables is as follows:

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Within 2 months	**338,480**	5,126
Over 2 months but within 6 months	**16,301**	66,353
Over 6 months but within 1 year	**537**	512
Over 1 year but within 2 years	**982**	—
	356,300	71,991

As at 31 December 2011 and 2010, 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 2011 and 2010, the carrying amounts of the above trade receivables approximated their fair values.

13 TRADE PAYABLES

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Trade payables	**26,846**	12,534
Notes payables	**22,523**	1,982
	49,369	14,516

As at 31 December 2011, the ageing analysis of trade payables is as follows:

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Within 45 days	**40,930**	5,552
Over 45 days but within 6 months	**7,374**	8,217
Over 6 months but within 1 year	**37**	—
Over 1 year but within 2 years	**672**	68
Over 2 years	**356**	679
	49,369	14,516

As at 31 December 2011 and 2010, the Group's trade payables were all denominated in RMB.

As at 31 December 2011 and 2010, the Group's notes payables are not interest bearing.

14 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	
	2011	2010
	RMB'000	*RMB'000*
Amounts paid by related parties on behalf of the Group to purchase equipment		
- Entities under common control	**—**	40,759
Amounts repaid to related parties who purchased equipment on behalf of the Group		
- Entities under common control	**60,532**	—
Management compensation paid by		
- Ultimate Controlling Shareholder	**—**	3,000
Issuance costs prepaid by		
- Ultimate Controlling Shareholder	**—**	2,960
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	**83**	—
Lease expenses		
- An entity controlled by Mr. Yu Yiping Wallace, the Chairman of the Group	**75**	—

(b) Balances with related parties

The Group had the following material balances with related parties:

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Accruals and other payables		
— Entities under common control of Controlling Shareholder	**—**	60,532
— Ultimate Controlling Shareholder	**—**	2,904
	—	63,436

The receivable and payable balances are unsecured, interest free and have no fixed terms of repayment.

(c) Key management compensation

For the year ended 31 December 2011, the compensation paid/payable to key management is shown below:

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Salaries and other short-term employee benefits	**7,325**	3,000

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During 2011, 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 endeavors 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 2011, we have established 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 reduced.

In 2011, we introduced new clients such as BP-PetroChina Fuels JV ("BP"), China Mobile Limited ("China Mobile"), China Petroleum & Chemical Corporation Limited ("Sinopec") and government institutional clients from various PRC provinces. We have entered into a co-operation agreement through one of our distributors with BP to sell and promote the products ("our products") with our brand "5100 Tibet Glacier Spring Water" ("5100 brand") in all convenience stores at BP's petrol stations within the Guangdong Province. Currently, sales of our products have 100% coverage of all convenience stores at BP's petrol stations in the Guangdong Province with a total number of approximately 466 stores. BP has introduced "Petrol Refill with Gifts" events at its petrol stations. Customers who have refilled a certain amount of petrol will be rewarded a certain amount of our products.

In the first half of 2011, our products have been entered into the sales list of water products for the national petrol stations of the Sinopec network. In August 2011, we signed an agreement with Sinopec through third party distributors for selling our products at its approximately 6,000 petrol stations in the south of China.

In 2011, we reached consensus with China Mobile on the intent of cooperation. Our products successfully entered into the China Mobile platform for gift redemption by reward points and started to operate throughout the entire country.

Year 2011 marked the 60th anniversary of the peaceful liberation of Tibet Autonomous Region ("Tibet"). A series of activities, such as visits to Tibet by delegates from various parts of the country for celebrations and activities launched by the government in Tibet as an expression of gratitude, have been held and resulted in an increase in the number of government institutional clients to the Group and the sales volume of our products.

In 2011, we endeavored to increase the sales volume to existing institutional clients. Sales cooperation between us and China Post Group Corporation ("China Post") extended from Beijing to Tianjin and Hunan, with almost 600 cooperative outlets. The Group and China Post in Beijing jointly launched the 「湧泉相報」 commemorative stamp album to commemorate the 60th anniversary of the peaceful liberation of Tibet. The stamp album embodied a set of commemorative stamps about Tibet issued by China since its establishment, and each stamp album is complemented with one 5100 Brand bottled water redemption card ("Water Card") commemorating the 60th anniversary of the peaceful liberation of Tibet. The bundled sales of water cards as etiquette products with postal stamp products were the first of its kind in the history of postal stamp sales in China.

We also further expanded our cooperation with Air China Limited ("Air China"). The exclusive supply of our products to two classes of passengers (first class and business class) and passengers in the VIP rooms of Air China, was further expanded to include passengers of economy class. Our products are now supplied to passengers of Air China and of the Air China network, including its subsidiaries, Air China Beijing, Air China Shanghai, Air China Zhejiang, Air China Hubei, Air China Tianjin, Air China Inner Mongolia, Air China Chengdu and Air China Chongqing.

In 2011, our retail channel developed rapidly. The share of revenue in retail channel distribution increased from 8% in 2010 to 14% in 2011.

The scope of our retail sales channel was extended from 29 cities at the end of 2010 to 35 cities at the end of 2011. The number of distributors increased from 90 at the end of 2010 to 132 at the end of 2011, and the number of sales outlets increased from 2,875 at the end of 2010 to 4,102 at the end of 2011. We increased our efforts in exploring our retail sales channels and implemented 3,496 sessions of the「心靈渴了去西藏」thematic promotional events and 8,379 sessions of routine promotional events, totaling 11,875 sessions of promotional events in the retail sales channels, covering channels such as shopping malls, supermarkets, bazaars, hotels, restaurants and night entertainment areas.

Our Water Card business also had a rapid growth and its share in total revenue increased from 7% in 2010 to 12% in 2011, representing a growth rate of 71% and became the new spot of our profit growth in innovative business.

Regarding advertising, publicity and promotions of our brand in 2011, our products continued to be designated as the official drinking water for the meetings of the National People's Congress and China People's Political Consultative Conference ("Two Conferences") and were also designated as the official drinking water for the Caijing Annual Conference 2011 and the (Eighth) Chinese Marketing Leaders Annual Conference 2011. We also sponsored a series of commercial activities such as the Chinese New Year charity show "2011手挽手•全民公益新春晚會", the charity banquet "一路有你", Auto Shanghai 2011, the walkathon "同心•共鑄中國心2011西藏行" and the HSBC Junior Golf Games, etc.

In 2011, in response to the increasing public concern about food safety, the Group entered into long-term strategic partnership agreements with two authoritative quality inspection institutions — the Chinese Academy of Inspection and Quarantine ("中國檢驗檢疫研究院") and the Tibet Entry-Exit Inspection and Quarantine Bureau ("西藏出入境檢驗檢疫局"). Each of them would conduct full tests and monitor the production process of our products in order to ensure good quality products are being supplied by the Group to the community.

In 2011, the Group was awarded the honour of the "Top 10 of Natural Mineral Water Industry" by the China Beverage Industry Association. The assessment of the "Top 10 Natural Mineral Water Industry" was based primarily on the assessment scores of enterprise operating results, product quality and enterprise reputation, and specialists from the relevant government authorities, industry associations and news media were invited to conduct assessments and reviews before the enterprises were ultimately confirmed to be awarded this honour. This was the first time the China Beverage Industry Association awarded such an honour.

Apart from striving for better operating performance, the Group was also a socially responsible corporate group which looks after the public interest. On 26 April 2011, the charity event「善行天下、慈善大典」jointly organized by the China Association of Social Workers, China Philanthropy Times（公益時報社）and the Red Cross Society of China was held in Beijing, whereby the event revealed the 2010 China Charity Ranking List. The Group was awarded the honour of "Top 10 Corporate Philanthropies of the Year".

In addition, the Group signed a new cooperation agreement with China Railway Express Co., Ltd. ("CRE") on 15 July 2011 pursuant to which the obligation of the Group under the buy-one-get-one-free arrangement has been waived by CRE (Please refer to our announcement dated 15 July 2011 for further details).

In 2011, the assembly and debugging of the fourth production line was completed and it started its production in 2011. At the end of 2011, total production output of the Group reached 208,000 tonnes.

FINANCIAL REVIEW

In 2011, total sales of the Group amounted to RMB633 million, representing a 76% increase from the total sales of RMB361 million in 2010.

By continuing to optimize the structure of our client base, and with our obligations under the "buy-one-get-one-free" arrangement waived by CRE, the Group has successfully increased its gross profit margin to 79% in 2011 from 64% in 2010.

Revenue

In 2011, total sales of the Group amounted to RMB633 million, representing an increase of RMB272 million compared to the revenue of RMB361 million in 2010. In 2011, the sales to CRE amounted to 62% of our total sales, representing a decrease of 19% from 81% in 2010.

In 2011, the average selling price of the Group's products increased significantly from RMB4,420 per tonne in 2010 to RMB7,241 per tonne in 2011. In addition, total sales volume increased by 7% from 81,576 tonnes in 2010 to 87,443 tonnes in 2011. Because of the increase in average selling price and total sales volume, the total revenue of the Group in 2011 increased by 76% compared to 2010. The increase in the average selling price was mainly attributed to the waiving of the Group's obligations under the "buy-one-get-one-free" arrangement by CRE and due to the sales growth from institutional clients and traditional retail operation channels (owned by third parties).

Sales Volume

In 2011, total sales volume amounted to 87,443 tonnes, representing an increase of 7% compared to 81,576 tonnes in 2010. The waiving of the Group's obligations under the "buy-one-get-one-free" arrangement by CRE has resulted in a reduction of 12,195 tonnes of bottled mineral water supply to CRE from 73,011 tonnes in 2010 to 60,816 tonnes in 2011. However, during 2011, sales generated from non-CRE channel institutional clients, such as local governments, Air China and BP, and from traditional retail operation channels (owned by third parties), have significantly increased. In 2011, total sales volume generated from other institutional clients channels and traditional retail operation channels (owned by third parties) increased by 18,062 tonnes from 8,565 tonnes in 2010 to 26,627 tonnes in 2011, representing a growth rate of 211%.

Other Net Gains

In 2011, other net gains as a percentage of revenue increased to 17% from 0.7% in 2010. Other net gains increased by RMB104 million from RMB2 million in 2010 to RMB106 million in 2011, representing an increase of 42 times year on year. This increase was primarily attributed to the government grants amounting to RMB105 million for 2011.

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 RMB65 million or 382% from RMB17 million in 2010 to RMB82 million in 2011. The effective tax rate in 2011 was 18%, which was higher than that of 13.2% in 2010. The increase in effective tax rate was primarily due to the increase in the preferential tax rate applicable to a domestic subsidiary of the Group.

Profit for the Year

Distribution costs increased significantly by RMB32 million on a year-on-year basis due to the development of institutional clients and retail clients and the increase in advertising expenses. Administrative expenses increased by RMB32 million on a year-on-year basis due to one-off fees related to the listing of the Company's shares on the Main Board of the Stock Exchange in June 2011 and the incurrence of operating expenses of a newly established holding company. However, since the sales volume in 2011 increased by 7% compared to 2010 along with the increase in the average selling price of water per tonne for 2011 and the increase in government grants, the net profits for the year 2011 amounted to RMB373 million, representing an increase of RMB258 million or 224% from 2010.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company increased by RMB258 million, or 224%, from RMB115 million in 2010 to RMB373 million in 2011, which was in line with the growth in net profits, during the relevant reporting period.

Financial Position

As at 31 December 2011, inventories of the Group amounted to RMB22 million compared to RMB32 million as at 31 December 2010. The decrease was mainly attributable to the effective management of the storage quantity of raw materials and finished goods.

As at 31 December 2011, trade receivables of the Group amounted to RMB356 million compared to RMB72 million as at 31 December 2010. The increase was mainly attributable to trade receivables from one major client of RMB315 million.

As at 31 December 2011, prepayments (including current and non-current) of the Group amounted to RMB37 million compared to RMB21 million as at 31 December 2010. The increase was mainly attributable to the prepaid consultancy fees amounted to RMB11 million.

As at 31 December 2011, other trade receivables of the Group amounted to RMB40 million compared to RMB3 million as at 31 December 2010. The increase was mainly attributable to the government grants receivable of RMB14 million, interests receivable of RMB6 million and other receivables of RMB17 million generated from the disposal of production equipments.

As at 31 December 2011, pledged and term deposits and cash and cash equivalents of the Group amounted to RMB588 million and RMB705 million, respectively (as at 31 December 2010: Nil and RMB35 million, respectively). The increase was mainly attributable to the proceeds from issuing new shares upon listing of the Company's shares on the Main Board of the Stock Exchange in June 2011.

As at 31 December 2011, deferred income tax liabilities of the Group amounted to RMB10 million compared to nil as at 31 December 2010. The increase was mainly attributable to the increase in proposed distributing profit from PRC subsidiaries to their overseas holding companies.

As at 31 December 2011, trade payables of the Group amounted to RMB49 million compared to RMB15 million as at 31 December 2010. The increase was mainly attributable to the fluctuations in production in the fourth quarter of 2011, resulting in a significant increase in the procurement and related accounts payable in connection with raw materials for bottle caps, paper boxes and labels.

As at 31 December 2011, deferred revenue and advances received from customers of the Group amounted to RMB41 million as at 31 December 2011 compared to RMB26 million as at 31 December 2010. Although the received advances from customers decreased from RMB26 million as at 31 December 2010 to RMB17 million as at 31 December 2011, deferred revenue relating to unredeemed effective Water Card increased by RMB24 million, leading to an increase in the total amount of deferred revenue and advances received from customers.

As at 31 December 2011, enterprise income tax payable of the Group amounted to RMB10 million compared to nil as at 31 December 2010. The increase was mainly attributable to an increase of enterprise income tax payable in the fourth quarter of 2011.

As at 31 December 2011, accruals and other payables of the Group amounted to RMB60 million compared to RMB125 million as at 31 December 2010. Compared to 31 December 2010, although value-added tax and other taxes payable increased by RMB18 million and government grant received in advance increased by RMB25 million, the total amount of other payables still decreased, which was mainly attributable to the decrease in the amounts due to related parties and to third parties arising from financing activities.

The Group's net current assets and net assets as at 31 December 2011 were RMB1,575 million and RMB1,854 million, respectively; and net current liabilities and net assets as at 31 December 2010 were RMB7 million and RMB283 million, respectively. The increase was mainly due to the increase in earnings and the proceeds from issuing new shares upon listing of the Company's shares on the Main Board of the Stock Exchange in June 2011.

Employees

As at 31 December 2011, the total number of employees for the Group was approximately 335 (as at 31 December 2010: approximately 285). Relevant staff cost was RMB37 million in 2011, while our staff cost was RMB15 million for 2010. The Group's remuneration policies are formulated according to the duty, experience, ability and performance of individual employees and are reviewed annually. In addition to basic salary, employees are entitled to other benefits including social insurance contribution, employee provident fund schemes and discretionary incentive.

Gearing Ratio

As at 31 December 2011, the Group did not have any loan borrowings and the related gearing ratio is not applicable (as at 31 December 2010: 17%).

Merger and Acquisition

Except for the reorganization of the Group as set out in the prospectus of the Company dated 20 June 2011 (the "Prospectus") which was completed in 2011, there has not been any acquisition or disposal of subsidiaries or associates of the Group.

Significant Investments

In 2011, the Group acquired property, plant and equipment of approximately RMB22 million (in 2010: approximately RMB61 million). Regarding the future plan for significant investments, please refer to the section headed "Use of Proceeds" of this Announcement.

Capital Commitments

The capital commitments related to property, plant and equipment of the Group as at 31 December 2011 were RMB28 million (as at 31 December 2010: RMB3 million).

Charges

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

Contingent Liabilities

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

Foreign Exchange Risk

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

Use of Proceeds

The shares of the Company were listed on the Main Board of the Stock Exchange on 30 June 2011 with net proceeds from the global offering of approximately HK$1,472 million (including exercise of over-allotment option and after deducting underwriting commissions and related expenses). The net proceeds has been and will continue to be used in the following manner:

Purpose of net proceeds	Percentage	Amount of net proceeds *HK$'Million*
Expand our production capacity by constructing additional facilities and purchasing additional production equipment	30%	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 purpose	10%	147
	100%	1,472

Up to 31 December 2011, the Group has utilized net proceeds amounted to HK$41 million as working capital and other general corporate purposes and the remaining net proceeds were deposited in reputable financial institutions. The Directors intend to apply the net proceeds in the future in the manner as set out in the Prospectus.

OUTLOOK

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

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

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

FINAL DIVIDEND

The Directors have resolved to recommend the payment of a final dividend for 2011 of HK$3 cents which is equivalent to approximately RMB2.44 cents (2010: nil) per share payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 19 June 2012. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company, the final dividend will be paid on or about 26 June 2012.

Dividend payable to shareholders will be paid in Hong Kong dollar ("HK$"). The exchange rate adopted by the Company for its dividend payable is the average middle rate of HK$ to RMB, as announced by the People's Bank of China, for the five business days preceding the date of declaration of dividend.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining Shareholders' eligibility to attend and vote at the forthcoming annual general meeting ("2012 AGM"), and entitlement to the final dividend, the register of members will be closed. Details of such closures are set out below:

(i) *For determining shareholders eligibility to attend and vote at the 2012 AGM*

Latest time to lodge transfer documents for registration .... 4:30p.m. on 1 June 2012

Closure of register of members .... 4 to 7 June 2012 (both dates inclusive)

Record date .... 7 June 2012

(ii) *For determining shareholders' entitlement to the final dividend*

Latest time to lodge transfer documents for registration .... 4:30p.m. on 14 June 2012

Closure of register of members .... 15 to 19 June 2012 (both dates inclusive)

Record date .... 19 June 2012

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the 2012 AGM, and to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than the aforementioned latest time.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

Since the listing of the shares if the Company on the Stock Exchange on 30 June 3011 and up to 31 December 2011, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as 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 as set out under the Model Code, since the listing of the shares of the Company on the Stock Exchange on 30 June 2011 and up to 31 December 2011.

REVIEW OF FINAL RESULTS

The final results have been reviewed by the audit committee of the Company. The financial figures in this announcement on the Group's consolidated financial statements for the year ended 31 December 2011 have been agreed by the Group's external auditors, PricewaterhouseCoopers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

For the year ended 31 December 2011, save as disclosed in the Prospectus, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

DISCLOSURE OF INFORMATION ON WEBSITES

This announcement is being published on the website of the Stock Exchange at www.hkexnews.hk and on the Company's website at www.5100.net. The 2011 annual report of the Company will be despatched to the shareholders and will be published on the abovementioned websites in due course.

ACKNOWLEDGEMENT

The Chairman of the Board would like to express his sincere appreciation for the devoted hard work of the Board, the management team and all the staff members, as well as the support from the shareholders, business partners and loyal customers.

By order of the Board
Tibet 5100 Water Resources Holdings Ltd.
Yu Yiping Wallace
Chairman

Hong Kong, 23 March 2012

As of the date of this announcement, the executive Directors are Mr. Yu Yiping Wallace, Mr. Fu Lin, Mr. Yue Zhiqiang, Ms. Mou Chunhua and Mr. Liu Chen, the non-executive Director is Ms. Jiang Xiaohong, the independent non-executive Directors are Mr. Jesper Bjoern Madsen, Mr. Lee Kong Wai, Conway and Mr. Wei Cheng, Kevin.