

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2012

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Change
	2012	2011	%
	(Audited)	(Audited)	
Revenue (RMB'000)	682,050	633,169	↑ 8
Profit attributable to owners of the Company (RMB'000)	410,722	373,063	↑ 10
Earnings per share			
– Basic and diluted (RMB cents)	15.99	16.18	↓ 1
Sales volume (tonnes)	83,846	87,443	↓ 4
Gross Profit margin	81%	79%	↑ 3
Dividend per share (HKD cents)	6	3	↑ 100

	As at 31 December	
	2012	2011
Total assets (RMB'000)	2,643,488	2,036,213
Equity attributable to owners of the Company (RMB'000)	2,202,282	1,853,992

FINAL RESULTS

The board (the “Board”) of directors (the “Directors”) of Tibet 5100 Water Resources Holdings Ltd. (the “Company”) is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2012, together with comparative figures prepared under International Financial Reporting Standards (“IFRS”) as follows:

Independent Auditor’s Report

To the shareholders of Tibet 5100 Water Resources Holdings Ltd.

(incorporated in Cayman Islands with limited liability)

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

Directors’ Responsibility for the Consolidated Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinion

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

Other Matters

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 22 March, 2013

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2012

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

CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2012

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

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

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

Fu Lin
Director

Liu Chen
Director

BALANCE SHEET
AS AT 31 DECEMBER 2012

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

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

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

Fu Lin
Director

Liu Chen
Director

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

		Attributable to owners of the Company				
	Note	Share capital	Share premium	Reserves	Retained earnings	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011		—	—	166,212	116,879	283,091
Profit for the year		—	—	—	373,063	373,063
Foreign currency translation differences		—	—	(30,354)	—	(30,354)
Total comprehensive income for the year		—	—	(30,354)	373,063	342,709
Capitalisation issue		16,971	(16,971)	—	—	—
Issuance of ordinary shares						
in connection with the listing		3,820	1,142,045	—	—	1,145,865
Issuance of ordinary shares						
in connection with the over-allotment		572	171,256	—	—	171,828
Share issuance costs		—	(89,501)	—	—	(89,501)
Appropriations to statutory reserve surplus		—	—	6,731	(6,731)	—
At 31 December 2011		21,363	1,206,829	142,589	483,211	1,853,992
Profit for the year		—	—	—	410,722	410,722
Foreign currency translation differences		—	—	544	—	544
Total comprehensive income for the year		—	—	544	410,722	411,266
Appropriations to statutory reserve surplus		—	—	34,648	(34,648)	—
Dividends		—	—	—	(62,976)	(62,976)
At 31 December 2012	18, 19	21,363	1,206,829	177,781	796,309	2,202,282

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1 GENERAL INFORMATION AND REORGANISATION

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

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

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

(b) New standards and interpretations not yet adopted

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

- Amendment to IAS 1, ‘Financial statement presentation’ regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in ‘other comprehensive income’ (“OCI”) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
- IFRS 13, ‘Fair value measurement’, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policy and disclosures (continued)

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

- IFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in OCI rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9’s full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.
- IFRS 10, ‘Consolidated financial statements’, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group has assessed IFRS 10’s full impact and concluded that there will not be any significant impact to the Group’s financial statements.
- IFRS 12, ‘Disclosures of interests in other entities’, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12’s full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries

2.3.1 Consolidation

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

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

2.3.2 Separate financial statements

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

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

2.4 Associates

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Associates (continued)

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

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

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

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

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

2.5 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in OCI.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets

2.8.1 Goodwill

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

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

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

2.8.2 Land use rights

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

2.9 Impairment of non-financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets

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

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

2.11 Impairment of financial assets

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Inventories

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

2.13 Trade and other receivables

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

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

2.14 Cash and cash equivalents

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

2.15 Share capital

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

2.16 Trade payables

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Deferred revenue and advances received from customers

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

2.18 Current and deferred income tax

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits

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

Pension obligations - defined contribution plans

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

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

2.20 Provisions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition

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

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

(a) Sales of goods – wholesale and retail

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

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

(b) Interest income

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

(c) Dividend income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Government grants

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

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

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

2.23 Operating leases

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

2.24 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

Foreign exchange risk

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

To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors its exposure to foreign exchange risk. During the year ended 31 December 2012, management did not consider it was necessary to enter into any hedging transactions in order to reduce the exposure to foreign exchange risk, because the exposure, after netting off the assets and liabilities subject to foreign exchange risk is not significant.

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

(b) Credit risk

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

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

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

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

(c) Liquidity risk

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

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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

3.2 Capital risk management

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

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

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

3.3 Fair value estimation

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Depreciation and amortisation

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

(b) Income taxes

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Goodwill

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

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

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

5 SEGMENT INFORMATION

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

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

6 REVENUE

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

	Year ended 31 December	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods	<u>682,050</u>	<u>633,169</u>

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

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

7 LAND USE RIGHTS - GROUP

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

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

8 PROPERTY, PLANT AND EQUIPMENT - GROUP

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

8 PROPERTY, PLANT AND EQUIPMENT – GROUP (CONTINUED)

- (a) Certain idle machineries with the cost amounting to RMB2,978,000 were considered obsolete before 2011, and an impairment provision of RMB2,311,000 has been made accordingly based on the assets' fair value less costs to sell.
- (b) The Group disposed a production line to a third party with net book value of RMB14,626,000 during the year ended 31 December 2011 due to the change of production plan.

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

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

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

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

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

9 INVESTMENTS IN AND LOANS TO SUBSIDIARIES - COMPANY

- (a) Investments in subsidiaries

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

* : Amount less than RMB500.

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

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

Company name <i>Directly held:</i>	Place / date of incorporation / type of legal entities	Issued/ paid-in capital		Effective interest held		Principal activities
		2012	2011	2012	2011	
Tibet 5100 Water Resources Ltd.	British Virgin Island ("BVI") / 19 January 2006/ Limited liability company	USD 100	USD 100	100%	100%	Investment
Treasure Guard Ltd.	BVI / 16 October 2012/ Limited liability company	USD 1	—	100%	—	Investment
<i>Indirectly held:</i>						
Sino Ocean International Investment Limited	BVI / 28 July 2003/ Limited liability company	USD 1	USD 1	100%	100%	Investment
Vicwood Investment Limited	BVI / 3 September 2003/ Limited liability company	USD 1	USD 1	100%	100%	Investment
Tibet Zhongji Jiahua Industry Co., Ltd.	PRC / 1 January 2004/ Limited liability company	USD 16,000,000	USD 16,000,000	100%	100%	Investment
Tibet Glacier Mineral Water Co., Ltd.	PRC / 31 October 2005/ Limited liability company	RMB 118,000,000	RMB 118,000,000	100%	100%	Bottled mineral water manufacturing and sales
Beijing 5100 Enterprise Planning Club Co., Ltd.	PRC / 13 July 2007/ Limited liability company	RMB 1,000,000	RMB 1,000,000	100%	100%	Bottled mineral water market operation and management
Tibet Glacier Mineral Water Marketing Co., Ltd.	PRC / 21 April 2010/ Limited liability company	RMB 3,000,000	RMB 3,000,000	100%	100%	Bottled mineral water marketing, promotion, distribution and retailing
Wealth Keeper Ltd.	Hong Kong / 30 October 2012/ Limited liability company	HKD 1	—	100%	—	Investment

(b) Loans to subsidiaries

The loans to subsidiaries as at 31 December 2012 of RMB 56,050,000 (2011: RMB 16,682,000) represent the loans to Tibet 5100 Water Resources Ltd., which are unsecured, interest free, denominated in HKD and repayable on demand.

10 INVESTMENTS IN AN ASSOCIATE – GROUP

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

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

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

* For identification purpose only

10 INVESTMENTS IN AN ASSOCIATE – GROUP (CONTINUED)

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

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

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

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

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

11 TRADE RECEIVABLES - GROUP

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

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

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

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

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

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

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

12 CREDIT QUALITY OF FINANCIAL ASSETS – GROUP AND COMPANY

(a) Financial assets neither past due nor impaired

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

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

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

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

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

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

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

(b) Financial assets past due but not impaired

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

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

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

(c) Financial assets impaired

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

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

13 PREPAYMENTS – GROUP AND COMPANY

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

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

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

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

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

14 OTHER RECEIVABLES – GROUP AND COMPANY

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

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

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

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

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

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

15 INVENTORIES - GROUP

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

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

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

16 PLEDGED AND TERM DEPOSITS – GROUP AND COMPANY

(a) Pledged deposits

	As at 31 December			
	Group		Company	
	2012	2011	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Pledged deposits	<u>6,543</u>	<u>20,820</u>	<u>—</u>	<u>—</u>

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

(b) Term deposits

	As at 31 December			
	Group		Company	
	2012	2011	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Term deposits	<u>100,000</u>	<u>567,490</u>	<u>100,000</u>	<u>567,490</u>

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

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

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

17 CASH AND CASH EQUIVALENTS – GROUP AND COMPANY

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

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

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

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

18 SHARE CAPITAL AND SHARE PREMIUM – GROUP AND COMPANY

	Number of ordinary shares (thousand)	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Opening balance 1 January 2011	—	—	—	—	—
Reorganisation (a)	10	—	—	—	—
Capitalisation issue (b)	2,040,700	20,407	16,971	(16,971)	—
Issuance of ordinary shares in connection with the listing (c)	459,290	4,593	3,820	1,142,045	1,145,865
Issuance of ordinary shares in connection with the over-allotment (d)	68,893	689	572	171,256	171,828
Share issuance costs	—	—	—	(89,501)	(89,501)
At 31 December 2011	<u>2,568,893</u>	<u>25,689</u>	<u>21,363</u>	<u>1,206,829</u>	<u>1,228,192</u>
Balance as at 1 January and 31 December 2012	<u>2,568,893</u>	<u>25,689</u>	<u>21,363</u>	<u>1,206,829</u>	<u>1,228,192</u>

- (a) The Company was incorporated on 8 November 2010 with one fully paid ordinary share at par value of HKD0.01 allotted and issued to the subscriber, which was subsequently transferred to Tibet Water Resources Limited owned by the Controlling Shareholder on the same date. On 13 June 2011, by way of a share swap, the Company acquired the entire issued share capital of Tibet 5100 Water Resources Ltd. (西藏5100水資源有限公司) from its then shareholders by allotting and issuing a total of 9,999 ordinary shares of HKD0.01 each to the existing shareholders of Tibet 5100 Water Resources Ltd. After the share swap, the Company became the holding company of the Group.
- (b) On 14 June 2011, 2,040,700,000 (at par value of HKD0.01 each) ordinary shares of the Company were allotted and issued, credited as fully paid at par value of HKD0.01 each to the entities whose names appear on the register of members of the Company in proportion to their then existing shareholdings in the Company, by capitalisation of HKD20,407,000 (equivalent to RMB16,971,000) from the share premium account. Such allotment and capitalisation were conditional on the share premium account being credited as a result of the new shares issued in connection with the listing of the Company's shares on the Stock Exchange.
- (c) On 30 June 2011, 459,290,000 ordinary shares (at par value of HKD0.01 each) of the Company were allotted and issued at the price of HKD3.0 per share in connection with the listing of the Company's shares on the Stock Exchange.
- (d) On 8 July 2011, 68,893,000 ordinary shares (at par value of HKD0.01 each) of the Company were allotted and issued at the price of HKD3.0 per share in connection with the over-allotment of the Company's shares on the Stock Exchange.

19 RESERVES – GROUP AND COMPANY

Group

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

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

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

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

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

19 RESERVES – GROUP AND COMPANY (CONTINUED)

Company

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

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

20 DEFERRED INCOME TAX - GROUP

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

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

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

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

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

20 DEFERRED INCOME TAX – GROUP (CONTINUED)

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

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

20 DEFERRED INCOME TAX – GROUP (CONTINUED)

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

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

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

21 DEFERRED REVENUE AND ADVANCES RECEIVED FROM CUSTOMERS - GROUP

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

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

22 DEFERRED INCOME – GROUP

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

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

23 TRADE PAYABLES - GROUP

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

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

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

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

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

24 ACCRUALS AND OTHER PAYABLES – GROUP AND COMPANY

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

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

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

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

25 OTHER GAINS, NET

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

(a) According to Zang Zheng Ban 藏政辦 [1997] No 24, Zang Cai Qi Zi 藏財企字 [2010] No. 93 and La Kai Cai Zhu Zi 拉開財駐字 [2010] No. 29, the Group is eligible to receive subsidy income from the local government in relation to the domestic subsidiaries' fiscal contribution to the local economic development as a major tax payer and employer in Tibet. The Group recognised such income of RMB101 million for the year ended 31 December 2012 (2011: RMB105 million).

26 EXPENSES BY NATURE

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

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

27 EMPLOYEE BENEFIT EXPENSES

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

(a) Pension scheme

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

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

(b) Housing scheme

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

27 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(c) Directors' emoluments

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

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

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

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

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

27 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(d) Five highest paid individuals

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

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

The emoluments fell within the following bands:

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

28 FINANCE INCOME, NET

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

29 INCOME TAX EXPENSE

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

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

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

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

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

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

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

30 NET FOREIGN EXCHANGE GAINS

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

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

31 EARNINGS PER SHARE

Basic and diluted

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

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

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

32 DIVIDENDS

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

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

33 CASH GENERATED FROM OPERATIONS

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

34 COMMITMENTS

(a) Capital commitments

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

	As at 31 December	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	<u>—</u>	<u>27,997</u>

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

(b) Operating lease commitments

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

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

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

35 RELATED-PARTY TRANSACTIONS

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

The Group is ultimately controlled by the Controlling Shareholder.

(a) Transactions with related parties:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Amounts repaid to related parties who purchased equipment on behalf of the Group		
– Entities under common control	—	60,532
Issuance costs repaid to		
– Ultimate Controlling Shareholder	—	2,904
Amounts received from related parties to pay issuance cost		
– Entities under common control	—	19,569
Amounts repaid to related parties		
– Entities under common control	—	19,569
Revenue from license fee		
– Entities under common control	81	83
Purchase of goods		
– Entities under common control	635	—
Lease expenses		
– An entity controlled by Mr. Yu Yiping Wallace, the Chairman of the Group	292	75

- (i) Revenue from license fee was the royalty fee charged to an entity controlled by the Controlling Shareholder based on normal commercial terms and conditions.
- (ii) Goods were bought from an entity controlled by the Controlling Shareholder based on normal commercial terms and conditions.
- (iii) Lease expenses were from the leasing fee of a vehicle from an entity controlled by the Chairman of the Group based on normal commercial terms and conditions.

35 RELATED-PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties:

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

(c) Key management compensation

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

	Year ended 31 December	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other short-term employee benefits	<u>7,959</u>	<u>7,325</u>

Management Discussion and Analysis

BUSINESS REVIEW

In 2012, we continued our endeavors in supplying high quality products and premium services to our clients, and as such the operating performance of the Group was further enhanced.

We emphasized on the following four aspects in expanding the high-end mineral water business of the Group:

- (1) to strengthen our traditional advantages, continuous development of new institutional clients and endeavor to increase the sales volume from institutional clients;
- (2) to accelerate our expansion of retail channels and endeavor to increase the number of distributors, distributing cities and outlets and increasing the sales capacity of each outlet;
- (3) to increase our advertising and promotional activities and branding publicity; and
- (4) to improve our productivity and quality control management.

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

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

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

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

FINANCIAL REVIEW

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

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

Revenue

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

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

Sales Volume

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

Other Net Gains

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

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

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

Income Tax Charge

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

Profit for the Year

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

Profit Attributable to Owners of the Company

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

Financial Position

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

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

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

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

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

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

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

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

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

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

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

Employees

As at 31 December 2012, the total number of employees for the Group was approximately 328 compared to 335 as at 31 December 2011. Relevant staff cost was RMB43 million in 2012, while our staff cost was RMB37 million for 2011. The Group's remuneration policies are formulated according to the duty, experience, ability and performance of individual employees and are reviewed annually. In addition to basic salary, employees are entitled to other benefits including social insurance contribution, employee provident fund schemes and discretionary incentive.

Gearing Ratio

As at 31 December 2012 and as at 31 December 2011, the Group did not have any loan borrowings, thus the gearing ratio is not applicable.

Merger and Acquisition

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

Significant Investments

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

Capital Commitments

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

Charges

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

Contingent Liabilities

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

Foreign Exchange Risk

The Group employs a conservative approach to cash management and risk control. The Group mainly operates in the PRC with most of its business transactions denominated in RMB. The Group is exposed to foreign exchange risk arising from exposure of HKD against RMB. The Group has not used any forward contracts or currency borrowings to hedge its foreign exchange risk. Cash was generally placed in short-term deposits and term deposits denominated in HKD and RMB.

Valuation of Properties

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

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

Use of Proceeds

The shares of the Company were listed on the Main Board of the Stock Exchange on 30 June 2011 with net proceeds from the global offering of approximately HKD1,472 million (including proceeds from the exercise of over-allotment option and after deducting underwriting commissions and related expenses). The net proceeds has been allocated in the following manner:

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

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

OUTLOOK

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

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

FINAL DIVIDEND

The Directors have resolved to recommend a payment of a final dividend for 2012 of HKD6 cents (2011: HKD3 cents) which is equivalent to approximately RMB4.85 cents (2011: approximately RMB2.44 cents) per share payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 20 June 2013. 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 2013.

Dividend payable to shareholders will be paid in HKD. The exchange rate adopted by the Company for its dividend payable is the average middle rate of HKD 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 ("2013 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 2013 AGM*

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

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

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

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and to vote at the 2013 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, no later than the aforementioned latest time.

CODE ON CORPORATE GOVERNANCE

The Company will continue putting effort in maintaining high standards of corporate governance so as to ensure better transparency and protection of interests of the shareholders and the Company as a whole. Throughout the year ended 31 December 2012, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) contained in Appendix 14 to the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules").

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has 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 set out in the Model Code for the year ended 31 December 2012. Specific employees who are likely to be in possession of unpublished inside information have been requested to comply with the provisions of the Model Code. No incident of non-compliance has been noted by the Company.

REVIEW OF FINAL RESULTS

The final results for the year ended 31 December 2012 have been reviewed by the audit committee of the Company which has provided advices and comments thereon.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

For the year ended 31 December 2012, 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 2012 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, 22 March 2013

As of the date of this announcement, the executive Directors are Mr. Yu Yiping Wallace (Chairman), Mr. Fu Lin (Chief Executive Officer), 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.