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

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1115)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHT

	Six months ended 30 June		
	2014	2013	**Change**
	(Unaudited)	*(Unaudited)*	**%**
Revenue (RMB'000)	**326,397**	246,010	↑**33**
Profit attributable to the owners of the Company (RMB'000)	**164,602**	186,798	↓**12**
Earnings per share			
- Basic (RMB cents)	**6.41**	7.27	↓**12**
- Diluted (RMB cents)	**6.41**	7.27	↓**12**
Sales volume (Tonnes)	**42,869**	26,510	↑**62**

	As at 30 June 2014	As at 31 December 2013
	(Unaudited)	*(Audited)*
Total assets (RMB'000)	**3,233,187**	3,256,855
Equity attributable to owners of the Company (RMB'000)	**2,499,217**	2,497,470

INTERIM RESULTS

The board of directors (the "**Directors**") (the "**Board**") of Tibet 5100 Water Resources Holdings Ltd. (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2014. These interim results have been reviewed by the Company's Audit Committee, comprising all of the independent non-executive Directors, one of whom chairs the committee, and the Company's external auditor, PricewaterhouseCoopers.

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2014

		As at	
		30 June	31 December
	Note	**2014**	2013
		RMB'000	*RMB'000*
		Unaudited	Audited
Assets			
Non-current assets			
Land use rights	8	**32,506**	32,865
Property, plant and equipment	8	**679,536**	695,523
Intangible assets	8	**187,858**	198,810
Goodwill	8	**721,139**	721,139
Deferred income tax assets		**6,914**	8,398
Prepayments		**3,036**	4,177
		1,630,989	1,660,912
Current assets			
Inventories		**60,810**	54,087
Trade receivables	9	**346,831**	453,432
Prepayments		**36,704**	36,482
Other receivables and other assets		**51,451**	66,526
Term deposits		**85,000**	—
Cash and cash equivalents		**1,021,402**	985,416
		1,602,198	1,595,943
Total assets		**3,233,187**	3,256,855

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 30 JUNE 2014

	Note	**As at 30 June 2014** *RMB'000* *Unaudited*	31 December 2013 *RMB'000* Audited
Equity			
Equity attributable to owners of the Company			
Share capital	10	**21,363**	21,363
Share premium	10	**1,206,829**	1,206,829
Reserves	10	**195,352**	195,525
Retained earnings		**1,075,673**	1,073,753
		2,499,217	2,497,470
Non-controlling interests		**249,976**	231,983
Total equity		**2,749,193**	2,729,453
Liabilities			
Non-current liabilities			
Deferred revenue		**22,467**	21,749
Deferred income tax liabilities		**30,376**	50,218
		52,843	71,967
Current liabilities			
Trade payables	11	**64,468**	72,766
Deferred revenue and advances received from customers		**19,971**	22,929
Enterprise income tax payable		**37,417**	19,855
Accruals and other payables		**109,295**	144,191
Borrowing	12	**200,000**	195,694
		431,151	455,435
Total liabilities		**483,994**	527,402
Total equity and liabilities		**3,233,187**	3,256,855
Net current assets		**1,171,047**	1,140,508
Total assets less current liabilities		**2,802,036**	2,801,420

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Note	Unaudited Six months ended 30 June 2014 *RMB'000*	2013 *RMB'000*
Revenue	7	**326,397**	246,010
Cost of sales	14	**(123,680)**	(43,743)
Gross profit		**202,717**	202,267
Distribution costs	14	**(41,440)**	(40,687)
Administrative expenses	14	**(33,419)**	(34,936)
Other gains, net	13	**81,645**	68,763
Operating profit		**209,503**	195,407
Finance income		**17,103**	20,921
Finance costs		**(6,377)**	(11,118)
Finance income, net		**10,726**	9,803
Share of post-tax profit of an associate		**—**	17,525
Profit before income tax		**220,229**	222,735
Income tax expense	15	**(37,634)**	(35,937)
Profit for the period		**182,595**	186,798
Profit attributable to:			
- Owners of the Company		**164,602**	186,798
- Non-controlling interests		**17,993**	—
		182,595	186,798
Earnings per share for profit attributable to the owners of the Company		**RMB cents**	RMB cents
- Basic earnings per share	16	**6.41**	7.27
- Diluted earnings per share	16	**6.41**	7.27
Dividends	17	**—**	—

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Profit for the period	**182,595**	186,798
Other comprehensive loss:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences	**(173)**	(10,999)
Other comprehensive loss for the period, net of tax	**(173)**	(10,999)
Total comprehensive income for the period	**182,422**	175,799
Attributable to:		
-Owners of the Company	**164,429**	175,799
-Non-controlling interests	**17,993**	—
Total comprehensive income for the period	**182,422**	175,799

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Unaudited						
	Attributable to owners of the Company						
	Share capital	Share premium	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	**21,363**	**1,206,829**	**195,525**	**1,073,753**	**2,497,470**	**231,983**	**2,729,453**
Profit for the period	**—**	**—**	**—**	**164,602**	**164,602**	**17,993**	**182,595**
Foreign currency translation differences	**—**	**—**	**(173)**	**—**	**(173)**	**—**	**(173)**
Total comprehensive income for the period	**—**	**—**	**(173)**	**164,602**	**164,429**	**17,993**	**182,422**
Dividends relating to 2013 paid in June 2014	**—**	**—**	**—**	**(162,682)**	**(162,682)**	**—**	**(162,682)**
At 30 June 2014	**21,363**	**1,206,829**	**195,352**	**1,075,673**	**2,499,217**	**249,976**	**2,749,193**
At 1 January 2013	21,363	1,206,829	177,781	796,309	2,202,282	—	2,202,282
Profit for the period	—	—	—	186,798	186,798	—	186,798
Foreign currency translation differences	—	—	(10,999)	—	(10,999)	—	(10,999)
Total comprehensive income for the period	—	—	(10,999)	186,798	175,799	—	175,799
Dividends relating to 2012 paid in June 2013	—	—	—	(122,752)	(122,752)	—	(122,752)
At 30 June 2013	21,363	1,206,829	166,782	860,355	2,255,329	—	2,255,329

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash generated from operations	**267,681**	229,669
Interest received	**7,683**	11,265
Income tax paid	**(34,523)**	(28,059)
Net cash generated from operating activities	**240,841**	212,875
Cash flows from investing activities		
Purchases of property, plant and equipment	**(5,584)**	(4,283)
Investment in an associate	**—**	(224,400)
Prepayment made for investment in a subsidiary	**—**	(158,939)
Loans granted to third parties	**(11,500)**	(60,000)
Repayment received for amounts due from third parties	**51,074**	50,000
Purchase of available-for-sale financial assets	**(300,000)**	(98,000)
Proceeds from sale of available-for-sale financial assets	**308,692**	99,944
Increase in term deposits	**(85,000)**	(305,000)
Net cash used in investing activities	**(42,318)**	(700,678)
Cash flows from financing activities		
Dividends paid to owners of the Company	**(162,682)**	(122,752)
Net cash used in financing activities	**(162,682)**	(122,752)
Net increase/(decrease) in cash and cash equivalents	**35,841**	(610,555)
Cash and cash equivalents at beginning of period	**985,416**	1,232,327
Translation gains/(losses) on cash and cash equivalents	**145**	(7,517)
Cash and cash equivalents at end of period	**1,021,402**	614,255

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2014

1 GENERAL INFORMATION

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

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

In July 2013, the Group acquired a controlling interest of Tibet Tiandi Green Beverage Development Co., Ltd. (西藏天地綠色飲品發展有限公司; "Tiandi Green") which is principally engaged in production and sales of highland barley beer products. The acquired business contributed revenue of RMB161,779,000 and net profit of RMB51,408,000 to the Group for the six months ended 30 June 2014.

The condensed interim consolidated financial information is presented in Renminbi ("RMB"), unless otherwise stated. The condensed interim consolidated financial information was approved for issue on 22 August 2014.

The condensed interim consolidated financial information has not been audited.

2 BASIS OF PREPARATION

The condensed interim consolidated financial information for the six months ended 30 June 2014 has been prepared in accordance with International Accounting Standard 34, 'Interim financial reporting'. The condensed interim consolidated financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements of the Group for the year ended 31 December 2013, as described in those annual financial statements.

The Group has adopted IFRIC-Int 21 'Levies'. IFRIC-Int 21 addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy, and when should a liability be recognised. The Group is not currently subject to significant levies. The adoption of the interpretation has had no significant effect on the financial statements for earlier periods and on the interim financial information for the period ended 30 June 2014. The Group does not expect IFRIC-Int 21 to have a significant effect on the results for the financial year ending 31 December 2014.

Other amendments to IFRSs effective for the financial year ending 31 December 2014 are not expected to have a material impact on the Group.

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

4 ESTIMATES

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

In preparing the condensed interim consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements of the Group for the year ended 31 December 2013.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The condensed interim consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2013.

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

5.2 Fair value estimation

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

6 SEGMENT INFORMATION

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

Prior to the acquisition of a controlling interest of Tiandi Green in July 2013, the Group had one business segment of manufacturing and sales of bottled mineral water products; after the acquisition of a controlling interest of Tiandi Green in July 2013, the Group has two business segments, being the production and sales of (1) premium bottled mineral water products, and (2) highland barley beer products.

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

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

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

7 REVENUE

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

	Unaudited Six months ended 30 June	
	2014 *RMB'000*	2013 *RMB'000*
Sale of mineral water products	**164,618**	246,010
Sale of beer products	**161,779**	—
	326,397	246,010

Revenue from external customers of the Group was derived in the PRC for the six months ended 30 June 2014 and 2013.

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

	Unaudited			
	Property, plant and equipment *RMB'000*	Land use rights *RMB'000*	Intangible assets *RMB'000*	Goodwill *RMB'000*
Opening net book amount at 1 January 2014	**695,523**	**32,865**	**198,810**	**721,139**
Additions	**9,721**	**—**	**—**	**—**
Depreciation and amortisation	**(25,708)**	**(359)**	**(10,952)**	**—**
Closing net book amount at 30 June 2014	**679,536**	**32,506**	**187,858**	**721,139**
Opening net book amount at 1 January 2013	303,801	1,239	—	—
Additions	5,081	—	—	—
Depreciation and amortisation	(10,662)	(14)	—	—
Closing net book amount at 30 June 2013	298,220	1,225	—	—

9 TRADE RECEIVABLES

Trade receivables represent those due from third party customers with good credit history and low default rates. As at 30 June 2014, the aging analysis of trade receivables was as follows:

	As at	
	30 June 2014 *RMB'000* *Unaudited*	31 December 2013 *RMB'000* *Audited*
Trade receivables		
Within 6 months	**52,901**	318,529
Over 6 months but within 1 year	**292,170**	82,910
Over 1 year but within 2 years	**1,362**	51,595
Over 2 years	**398**	398
	346,831	453,432

As at 30 June 2014 and 31 December 2013, no trade receivables were impaired and provided for.

10 SHARE CAPITAL, SHARE PREMIUM AND RESERVES

	Number of ordinary shares (thousand)	Nominal value of ordinary shares *HKD'000*	Unaudited Equivalent nominal value of ordinary shares *RMB'000*	Share premium *RMB'000*	Reserves *RMB'000*
Opening balance at 1 January 2014	**2,568,893**	**25,689**	**21,363**	**1,206,829**	**195,525**
Other comprehensive loss	**—**	**—**	**—**	**—**	**(173)**
At 30 June 2014	**2,568,893**	**25,689**	**21,363**	**1,206,829**	**195,352**
Opening balance at 1 January 2013	2,568,893	25,689	21,363	1,206,829	177,781
Other comprehensive loss	—	—	—	—	(10,999)
At 30 June 2013	2,568,893	25,689	21,363	1,206,829	166,782

11 TRADE PAYABLES

As at 30 June 2014, the aging analysis of the trade payables based on invoice dates was as follows:

	As at	
	30 June 2014	31 December 2013
	RMB'000	***RMB'000***
	Unaudited	***Audited***
Trade payables		
Within 45 days	**33,670**	42,307
Over 45 days but within 6 months	**17,975**	23,477
Over 6 months but within 1 year	**10,960**	5,326
Over 1 year but within 2 years	**898**	456
Over 2 years	**965**	1,200
	64,468	72,766

12 BORROWING

	As at	
	30 June	31 December
	2014	2013
	RMB'000	***RMB'000***
	Unaudited	***Audited***
Current		
Borrowing from government — unsecured	**200,000**	195,694

The borrowing was denominated in RMB as at 30 June 2014 and 31 December 2013.

The borrowing was granted to Tiandi Green by the Tibet Autonomous government through Tibet Autonomous Region Investment Company. Based on the agreement, the borrowing with principal amount of RMB200,000,000 was unsecured and the term of the borrowing is from 1 July 2009 to 30 June 2014. The interest rate from 1 July 2009 to 31 December 2011 was 3% per annum and nil interest for the remaining periods. The borrowing was recorded initially at fair value and subsequently based on the amortised cost using the effective interest rate at 4.76% per annum. The difference between the fair value of the borrowing and the cost was recorded as government grant and amortised over the term of the loan. At 30 June 2014, the lender did not demand for repayment of the loan and thus Tiandi Green did not repay the loan. Accordingly, the borrowing becomes repayable on demand starting 30 June 2014.

The Group had no undrawn borrowing facilities as at 30 June 2014 and 31 December 2013.

13 OTHER GAINS, NET

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
- Government grants (a)	**81,565**	68,600
- Others	**80**	163
	81,645	68,763

(a) The amount mainly related to the government grant received by the Group as following:

i) according to "藏政辦 [1997] No. 24", "藏財企字 [2010] No. 93" and "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 RMB64,400,000 and RMB68,500,000 for the six months ended 30 June 2014 and 2013 respectively.

ii) according to"拉開財駐字 [2012] No.101", the Group is also eligible to receive such similar subsidy income after acquisition of Tiandi Green in 9 July 2013. The Group recognised such income of approximately RMB9,800,000 for the six months ended 30 June 2014.

14 EXPENSES BY NATURE

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

	Unaudited Six months ended 30 June **2014** ***RMB'000***	 2013 *RMB'000*
Raw materials and consumables used	**93,043**	29,752
Increase in the balances of inventories of finished goods and work in progress	**(7,018)**	(5,405)
Transportation costs	**14,078**	18,466
Depreciation of property, plant and equipment (Note 8)	**25,708**	10,662
Amortisation of land use rights (Note 8)	**359**	14
Amortisation of intangible assets (Note 8)	**10,952**	—
Employee benefit expenses	**27,141**	20,256
Consulting and other service expenses	**4,113**	14,789
Advertising and marketing expenditure	**11,530**	16,597
Other taxes	**5,397**	5,693
Electricity and other utility expenses	**5,391**	3,691
Repair, maintenance and rental expenses	**3,321**	1,608
Others	**4,524**	3,243
	198,539	119,366

15 INCOME TAX EXPENSE

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

The group entities incorporated in the PRC are subject to PRC enterprise income tax. Entities in the Tibet Autonomous Region of the PRC were entitled to preferential rates of 15% for the six months ended 30 June 2013 and 2014; the remaining entities are taxed based on the statutory income tax rate of 25% for the six months ended 30 June 2013 and 2014 as determined in accordance with the relevant PRC income tax rules and regulations.

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Current income tax	**38,013**	34,465
Deferred income tax	**(379)**	1,472
	37,634	35,937

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year ending 31 December 2014 is 17% (the estimated tax rate for the six months ended 30 June 2013 was 16%).

16 EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the six months ended 30 June 2014 and 2013 is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares outstanding during the period.

	Unaudited	
	Six months ended 30 June	
	2014	2013
Profit attributable to owners of the Company (RMB'000)	**164,602**	186,798
Weighted average number of shares in issue (thousands)	**2,568,893**	2,568,893
Basic earnings per share (RMB cents per share)	**6.41**	7.27

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There are no dilutive potential ordinary shares as at 30 June 2013 and 2014. As such, the diluted earnings per share is the same as the basic earnings per share for the Company for the six months ended 30 June 2013 and 2014.

17 DIVIDENDS

A dividend of RMB162,682,000 that relating to the year ended 31 December 2013 was paid in the six months ended 30 June 2014 (six months ended 30 June 2013: RMB 122,752,000 paid that relating to the year ended 31 December 2012). No dividend has been declared by the Company or any of its subsidiaries in respect of the six months ended 30 June 2014.

18 RELATED PARTY TRANSACTIONS

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

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

(a) Transactions with related parties

	Unaudited Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Revenue from license fee (i)		
- An entity under common control	**20**	40
Purchase of goods or services (ii)		
- An entity under common control	**311**	—
Lease expenses (iii)		
- An entity controlled by Mr. Yu Yiping Wallace, the Chairman of the Group	**237**	145

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

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

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

(b) Balances with related parties:

The Group had no material balance with related parties as at 30 June 2014 and 31 December 2013.

(c) **Key management compensation**

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

	Unaudited Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**4,032**	4,040

19 COMMITMENT

Operating lease commitments

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

	As at	
	30 June 2014	31 December 2013
	RMB'000	RMB'000
	Unaudited	*Audited*
No later than 1 year	**3,188**	2,456
Later than 1 year and no later than 5 years	**15,956**	5,912
	19,144	8,368

20 SEASONALITY OF OPERATIONS

The sales of the Group are subject to seasonal fluctuations, in general, with peak demand in the fourth quarter of the year. One of the main reasons for this phenomenon is due to the increasing consumption of bottled water by the end customers during the year-end holiday season, which is in the fourth quarter of the year. For the year ended 31 December 2013, 38% of total revenue was recorded in the first six months of the year, while 62% of the revenue was recorded in the remaining six months.

For the highland barley beer products, 53% of total revenue was recorded in the first six months of the year ended 31 December 2013, while 47% was recorded in the remaining six months.

21 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 30 June 2014, the Group entered into a contract with China Railway Express Co., Ltd.("CRE") where CRE agreed to buy and the Group agreed to sell mineral water products of 50,000 tonnes for the year from 1 July 2014 to 30 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2014, we continued our endeavors in supplying high quality products and premium services to our clients, and emphasized the following four aspects in developing the mineral water and highland barley beer business of the Group in the high-end specialty beverage industry:

(1) to strengthen our traditional advantages, continuous development of new institutional clients and endeavor to maintain the sales volume from existing institutional clients, as well as to accelerate our expansion of retail sales channels (owned by third parties) and endeavor to increase the relevant number of distributors, distributing cities and outlets and increasing the sales capacity of each outlet;

(2) to develop our innovative business and to strengthen our e-commerce platform for selling bottled water redemption card ("**Water Card**") and our products online;

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

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

Although facing the competitive environment, the Group was able to increase the share of total revenue in our retail distribution channel of our mineral water business segment from 42% in the first half of 2013 to 61% in the first half of 2014.

The scope of our retail sales channel (owned by third parties) of our mineral water business segment was extended from 86 cities as at 31 December 2013 to 116 cities as at 30 June 2014. The number of distributors increased from 228 as at 31 December 2013 to 263 as at 30 June 2014, and the number of sales outlets increased from 8,053 as at 31 December 2013 to 9,342 as at 30 June 2014.

In the second half of 2013, we obtained control over Tiandi Green. Highland barley beer of Tiandi Green was sold within and outside Tibet Autonomous Region. In the first half of 2014, the share of relevant revenue from sales of our highland barley beer within and outside Tibet Autonomous Region was 82% and 18%, respectively.

The scope of our retail sales channel of our highland barley beer business outside Tibet Autonomous Region was extended to 67 cities as at 30 June 2014. The number of distributors amounted to 38 as at 30 June 2014, and the number of sales outlets amounted to 288 as at 30 June 2014.

The share of our 5100 Tibet glacial spring water ("**5100 Glacial Water**") Water Card business in the total revenue of our mineral water business segment increased from 16% in the first half of 2013 to 30% in the first half of 2014, and continued to be one of our major sources of profit growth in our mineral water business segment. For enhancing our e-commerce sales platform and boosting up future sales, we developed our self-operated e-commerce platform to sell and redeem the Water Cards through our own official website and developed a mobile application programme to serve clients in 2013, and both of them continued to run smoothly and effectively in the first half of 2014.

On 30 June 2014, the Group entered into a new procurement agreement with CRE (the "New CRE Procurement Agreement") as the previous CRE procurement agreement expired on 31 December 2013. Pursuant to the New CRE Procurement Agreement, CRE is required to purchase from the Group 50,000 tonnes of bottled mineral water for the period between 1 July 2014 and 30 June 2015. Although the selling price of the bottled water from the New CRE Procurement Agreement is lower than that of the previous CRE procurement agreement, we believe that this would not have a material adverse effect on the net profit of the Group for 2014. Furthermore, we believe that maintaining and consolidating its strategic relationship with CRE and at the same time putting effort in maintaining and developing non-CRE institutional clients and expanding its retail channels, are in the best interest of the Group. Please refer to the Company's announcement dated 30 June 2014 for further details.

FINANCIAL REVIEW

In the first half of 2014, total sales of the Group amounted to RMB326 million, representing an increase of 33% from the total sales of the Group of RMB246 million in the first half of 2013.

Although there were an increase in production costs and an increase in fixed costs per tonne due to a decrease in production volume in the first half of 2014, by continuous optimization of our client base and product mix, the gross profit margin of our mineral water business segment has slightly increased from 82.2% in the first half of 2013 to 82.5% in the first half of 2014. After consolidating the gross profit margin of 41.3% of our highland barley beer business segment of Tiandi Green, the overall gross profit margin of the Group decreased from 82.2% in the first half of 2013 to 62.1% in the first half of 2014.

REVENUE

In the first half of 2014, total sales of the Group, consisting the revenue generated from the sales of approximately RMB164 million of our mineral water business segment and sales of RMB162 million of our highland barley beer business segment, amounted to RMB326 million, representing an increase of RMB80 million or 33% compared to the revenue of RMB246 million in the first half of 2013.

In the first half of 2013, the sales to CRE accounted for 28% of the total sales. Following the expiration of the previous CRE procurement agreement on 31 December 2013, no bottled mineral water was sold to CRE in the first half of 2014. On 30 June 2014, the Group entered into the New CRE Procurement Agreement, and pursuant to the New CRE Procurement Agreement, CRE is required to purchase from the Group 50,000 tonnes of bottled mineral water for the period between 1 July 2014 and 30 June 2015. Although the selling price of the bottled water from the New CRE Procurement Agreement is lower than that of the previous CRE procurement agreement, we believe that this would not have a material adverse effect on the net profit of the Group for 2014. Please refer to the Company's announcement dated 30 June 2014 for further details.

Under the competitive environment and no bottled mineral water being sold to CRE in the first half of 2014, despite a drop of 42% and 33% in sales volume and sales revenue of our mineral water business segment, respectively, in the first half of 2014 compared to the first half of 2013, due to consolidating and including the sales revenue of RMB162 million of our new business segment of selling highland barley beer products, the total revenue of the Group in the first half of 2014 increased by RMB80 million or 33% compared to the first half of 2013.

The average selling price of our mineral water products increased from RMB9,280 per tonne in the first half of 2013 to RMB10,658 per tonne in the first half of 2014, which was mainly attributable to the continuous optimization of the structure of our client base and product mix. However, due to the consolidation of the average selling price of RMB5,899 per tonne of our highland barley beer business, the total average selling price decreased from RMB9,280 per tonne in the first half of 2013 to RMB7,614 per tonne in the first half of 2014.

SALES VOLUME

In the first half of 2014, total sales volume of the Group amounted to 42,869 tonnes, consisting the sales volume of 15,445 tonnes in our mineral water business segment and sales volume of 27,424 tonnes in our highland barley business segment, representing an increase of 62% compared to total sales volume of 26,510 tonnes in the first half of 2013.

In the first half of 2014, total sales volume generated from non-CRE institutional clients and traditional retail operation channels (owned by third parties) increased by 27,086 tonnes from 15,783 tonnes in the first half of 2013 to 42,869 tonnes in the first half of 2014, representing a year-on-year increase of 172%. In respect of our mineral water business segment, sales volume of bottled mineral water supplied to CRE amounted to 10,727 tonnes in the first half of 2013 but no bottled mineral water was supplied to CRE in the first half of 2014.

OTHER NET GAINS

Other net gains mainly included government grants, which were recognized at their fair value based on reasonable assurance that such grants would be received and the Group would comply with all attached conditions. The increase in other net gains of RMB13 million was mainly attributable to the increase in government grants. In the first half of 2014, government grants amounted to RMB82 million, including RMB66 million in respect of our mineral water business segment and RMB16 million in respect of our highland barley beer business segment.

As our main production processes are carried out in Tibet, we enjoy relevant government grants from time to time. The amount of grants we received from the government of Tibet was calculated largely with reference to our fiscal contribution to the local economic development as a major tax payer and employer in Tibet. Tibet Glacier Mineral Water Marketing Co. Ltd., Tibet Zhongji Jiahua Industry Co., Ltd. and Tiandi Green, our indirect subsidiaries established in the Tibet Lhasa Economic and Technology Development Zone, entered into the governmental grant agreements, under which the three companies were granted enterprise development funds, calculated with reference to the individual fiscal contribution of the three companies to the local government in Tibet. Based on the relevant rules in Tibet, enterprises that operate in Tibet and make fiscal contributions to the local government are eligible for applying for such governmental grants. Subject to the approval by the local government, the three companies may renew the governmental grant agreements and continue to enjoy such governmental grants after the current governmental grant agreements expires in 2020.

SHARE OF POST-TAX PROFITS OF AN ASSOCIATE

The Group acquired 35% equity interests in Tiandi Green on 25 December 2012 and subsequently acquired an additional 30% equity interests in Tiandi Green on 9 July 2013. Up to 30 June 2013, the Group's then ownership of 35% equity interests in Tiandi Green has generated a share of the post-tax profits of an associate in the amount of RMB18 million. The Group's share of sales volume and revenue in respect of highland barley beer business of Tiandi Green in the first half of 2013 were 9,239 tonnes and RMB58 million, respectively. No such share of post-tax profit of an associate was incurred in the first half of 2014.

FINANCE NET INCOME

Finance net income of RMB11 million included finance income and finance costs. In the first half of 2014, finance income and finance cost in respect of our mineral water business segment amounted to RMB13 million and RMB2 million, respectively, and both finance income and finance costs in respect of our highland barley business segment amounted to RMB4 million. This represents a decrease of RMB4 million in total finance income and a decrease of RMB5 million in total finance costs, compared to RMB21 million and RMB11 million, respectively, in the first half of 2013. Such a decrease of total finance income and total finance costs was mainly attributable to the decrease in the relevant exchange gains and losses in the first half of 2014.

INCOME TAX CHARGE

The income tax charge of the Group increased by approximately RMB2 million or 5% from RMB36 million in the first half of 2013 to RMB38 million in the first half of 2014. The effective tax rate in the first half of 2014 and 2013 was 17% and 16%, respectively.

PROFIT FOR THE HALF YEAR PERIOD

In the first half of 2014 and compared to the first half of 2013, in respect of our mineral water business segment, both sales volume and revenue decreased by 42% and 33%, respectively, which was mainly caused by a temporary suspension in supplying bottled water to CRE in the first half of 2014 since the expiration of the previous CRE procurement agreement on 31 December 2013. Besides, the share of post-tax profits of Tiandi Green, an associate of the Group in the first half 2013 was RMB18 million. After the status of Tiandi Green changed from an associate of the Group to a subsidiary of the Company on 9 July 2013, no such share of post-tax profits of an associate was incurred in the first half of 2014.

Notwithstanding the above, net profit of RMB183 million of the Group for the first half of 2014 only slightly decreased by RMB4 million or 2% from the first half of 2013. It was mainly attributable to consolidating profit of RMB51 million of Tiandi Green in the first half of 2014, a decrease in selling and distribution expenses of RMB12 million in the mineral water business segment and a decrease in administrative expenses of RMB10 million in the mineral water business segment in the first half of 2014, which was mainly due to the inclusion of an one-off consulting fee and an one-off administrative expenses in the first half of 2013 related to the acquiring of an equity interest in Tiandi Green.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company decreased by approximately RMB22 million, or 12%, from RMB187 million in the first half of 2013 to RMB165 million in the first half of 2014, which was in line with the decrease in net profits, after deducting the non-controlling interest of RMB18 million in Tiandi Green during the relevant reporting period.

FINANCIAL POSITION

As at 30 June 2014, trade receivables of the Group amounted to RMB347 million compared to RMB453 million as at 31 December 2013. The decrease in trade receivables was mainly attributable to the decrease in the amount due from one major customer of the Group from RMB426 million as at 31 December 2013 to RMB286 million as at 30 June 2014 and such RMB286 million was due for within 12 months, among which RMB50 million was collected before 22 August 2014. In view of the decrease in the trade receivables from such customer, out of the total trade receivables of the Group, and taking into account the history of business dealings, and the strategic business relationship with such customer, the Group considers that there is no objective evidence of an impairment loss to the trade receivable due from such customer. The Group also expects to receive further sums of moneys from such major customer before the end of December 2014 as settlement of its trade receivables.

There has never been any write-off on the trade receivable due from such customer in the past. Moreover, the Group maintains regular contact with our major debtors through meetings and telephone conversation to understand the status of their operations, their continuing business needs and ways in which the Group can improve its services. During such meetings and conversations, the Group is not aware of any material circumstances indicating any problems in recovering its trade receivables from its major debtors. As a result, no trade receivable was impaired and provided for as at 30 June 2014.

As at 30 June 2014, inventories of the Group amounted to RMB61 million compared to RMB54 million as at 31 December 2013. The increase was mainly attributable to the seasonal fluctuation in production.

As at 30 June 2014, prepayments (including current and non-current) of the Group slightly decreased to RMB40 million from RMB41 million as at 31 December 2013.

As at 30 June 2014, other receivables and other assets of the Group amounted to RMB51 million compared to RMB67 million as at 31 December 2013. Government grants receivable increased by RMB22 million but the amount due from third parties decreased by RMB39 million, mainly leading to an overall decrease in the total amount of other receivables and other assets.

As at 30 June 2014, the aggregate term deposits and cash and cash equivalents of the Group amounted to RMB1,106 million compared to RMB985 million as at 31 December 2013. The increase was mainly attributable to the cash generated from operations and the net repayment received from third parties in the first half of 2014, after using portions of which in paying dividends in June 2014.

As at 30 June 2014, deferred revenue and advances received from customers of the Group amounted to RMB20 million compared to RMB23 million as at 31 December 2013. Deferred revenue of unredeemed effective Water Card increased by RMB3 million and of government grant in relation to purchase of a production line and low interest loan decreased by RMB6 million, leading to an overall decrease in the total amount of deferred revenue and advances receive from customers.

As at 30 June 2014, deferred income tax liabilities of the Group amounted to RMB30 million compared to RMB50 million as at 31 December 2013. The decrease was mainly attributable to the crystallization of deferred income tax liabilities of RMB18 million as at 31 December 2013 in the first half of 2014.

As at 30 June 2014, trade payables of the Group amounted to RMB64 million compared to RMB73 million as at 31 December 2013. The decrease was mainly attributable to the decrease in sales of bottled mineral water in the second quarter of 2014, which resulted in a decrease in the payables for transportation costs incurred.

As at 30 June 2014, enterprise income tax payable of the Group amounted to RMB37 million compared to RMB20 million as at 31 December 2013. The increase was mainly attributable to crystallization of the deferred income tax liabilities of RMB18 million as at 31 December 2013 in the first half of 2014.

As at 30 June 2014, accruals and other payables of the Group amounted to RMB109 million compared to RMB144 million as at 31 December 2013. Compared to 31 December 2013, the decrease was mainly attributable to the decrease in government grant received in advance of RMB28 million.

The Group's net current assets and net assets as at 30 June 2014 were RMB1,171 million and RMB2,749 million, respectively, and net current assets and net assets as at 31 December 2013 were RMB1,141 million and RMB2,729 million, respectively. After considering the Group's payment of dividends of RMB163 million in the first half of 2014, the increase in net current assets and net assets was mainly attributable to the earnings of the first half of 2014.

EMPLOYEES

As at 30 June 2014, the total number of employees for the Group was approximately 433 compared to 341 as at 30 June 2013.

Relevant staff cost was RMB27 million in the first half of 2014, while our staff cost was RMB20 million for the first half of 2013. The Group's remuneration policies are formulated according to the duty, experience, ability and performance of individual employees and are reviewed annually. In addition to basic salary, employees are entitled to other benefits including social insurance contribution, employee provident fund schemes and discretionary incentive.

GEARING RATIO

The gearing ratio is calculated as borrowings divided by total capital. The total capital is calculated as "equity" as shown in the consolidated balance sheet plus borrowings. As at 30 June 2014 and 31 December 2013, the gearing ratio of the Group was 6.8% and 6.7%, respectively.

MERGER AND ACQUISITION

The Group acquired 35% equity interests in Tiandi Green on 25 December 2012. In July 2013, the Group acquired an additional 30% equity interests in Tiandi Green. Together with the original 35% equity interests in Tiandi Green, the Group has held 65% equity interests of Tiandi Green and Tiandi Green became a subsidiary of the Company on 9 July 2013. There was no acquisition or disposal of subsidiaries or associates of the Group for the six months ended 30 June 2014.

SIGNIFICANT INVESTMENTS

In the first half of 2014, the Group acquired property, plant and equipment of approximately RMB10 million (in the first half of 2013: approximately RMB5 million). Regarding the future development and outlook of the Group, please refer to the section headed "Outlook" in this management discussion and analysis.

CAPITAL COMMITMENTS

As at 30 June 2014 and 31 December 2013, the Group did not have any capital commitments related to property, plant and equipment.

CHARGES

As at 30 June 2014 and 31 December 2013, the Group did not have any asset charges.

CONTINGENT LIABILITIES

As at 30 June 2014 and 31 December 2013, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE RISK

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

VALUATION OF PROPERTIES

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

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

MINING LICENSE

The terms of the mining license for our water source will expire in August 2015. According to the relevant PRC regulations, the owner of the license shall submit proposals for the renewal or extension of the mining license within three months before the expiry date of the license. The Group intends to commence the procedure for renewal or extension of the mining license on or around April 2015. The Group will continue to search for potential opportunities to acquire new water sources.

PRODUCTION CAPACITY

The expected annual water production capacity and annual beer production capacity for the year ending 31 December 2014 are approximately 238,000 tonnes and 200,000 tonnes, respectively (for the year ended 31 December 2013: 238,000 tonnes and 200,000 tonnes, respectively).

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

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

	Revised usage of net proceeds *HKD'Million*	**As at 30 June 2014 Utilized net proceeds** *HKD'Million*	**As at 30 June 2014 Unutilized net proceeds** *HKD'Million*
Expand our production capacity by constructing additional facilities and purchasing additional production equipment	133	31	102
Expand our distribution network and toward promotional activities	206	15	191
Mergers and acquisitions that complement our existing business	1,092	1,092	—
Working capital and other general corporate purpose	41	41	—
	1,472	1,179	293

As at 30 June 2014, the Group has utilized net proceeds from the global offering in the amount of HK$31 million, HK$15 million, HK$1,092 million and HK$41 million (i) for expanding our production capacity; (ii) for expanding our distribution network and towards promotional activities; (iii) for mergers and acquisitions that complement our existing business; and (iv) as working capital and for other general corporate purposes, respectively. The remaining net proceeds were deposited in reputable financial institutions.

OUTLOOK

In the second half of 2014, we shall continue to maintain close cooperation with the distributors and to devote more resources to develop our retail sales network (owned by third parties), including six major distribution channels, namely (i) department stores and supermarkets; (ii) hotels; (iii) high-end restaurants; (iv) entertainment venues such as night clubs and bars; (v) golf clubs and private clubs; and (vi) others, including cinemas, specialty shops at airport and tourist attractions etc., across different regions in the PRC to promote the 5100 Glacial Water and the highland barley beer.

Furthermore, we also plan to launch more new products by leveraging on the famous brand of 5100 Glacial Water to expand our sources of income. The Group has targeted at higher product positioning and exporting demand. The production of glass bottled 5100 Glacial Water is expected to launch in the second half of 2014, as we aim to enhance our product grading and to stimulate sales.

Moreover, we will continue to provide overall management consulting services relating to the production, administration and marketing to an enterprise producing barreled natural water in Tibet, and to establish a long-term strategic cooperating relationship with this entity, for helping us to explore and accumulate experience in developing and managing barreled water enterprises.

Besides, the Group has signed a distribution agreement and a marketing agreement with China Distribution & Logistics Co., Ltd. ("**CDL**"), one of the most well-known beverage distribution companies in China. Pursuant to these distribution and marketing agreements, CDL is one of the key sales agents for 5100 Glacial Water and agrees not to distribute or market other bottled water products. The distribution and marketing team of CDL has extensive experience on the distribution, brand building and marketing of numerous premium international brands in China for the past two decades, including Heineken, Lipton, Samuel Adams and Pernod Ricard, and CDL was also the sole sales agent of Evian in China. Its distribution network spans across 30 provinces and municipalities of the entire country covering hundreds of wholesalers and thousands of on-premise and off-premise outlets. Going forward, the Group and CDL will embark on a series of projects to increase and enhance the brand image and brand awareness of 5100 Glacial Water with new packaging and new marketing initiatives programs. This strategic relationship will bring together creative, experienced sales force, know-how and synergies all dedicated to strengthen 5100 Glacial Water in a leading position of the premium bottled water industry.

While the Group continues to implement the aforesaid four major business development strategies and actively strengthen the integration of our existing resources in both of our mineral water business segment and highland barley beer business segment, for exerting synergy effect between the mineral water business and the highland barley beer business, the Group will continue to seek for new projects with a business presence in the Chinese specialty beverage industry, leading to diversify our business and products, and resulting to have continuous development and strengthening.

INTERIM DIVIDEND

The Board did not recommend a payment of an interim dividend for the six months ended 30 June 2014 (for the six months ended 30 June 2013: nil).

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2014, the Company has complied with the code provisions as set out in the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code for the six months ended 30 June 2014. Specific employees who are likely to be in possession of inside information have been requested to comply with the provisions of the Model Code. No incident of non-compliance has been noted by the Company.

The Audit Committee of the Company, consisting of three independent non-executive Directors, has reviewed the accounting principles and practices adopted by the Group, and has reviewed the interim results for the six months ended 30 June 2014.

The Company's external auditor, PricewaterhouseCoopers, has performed a review of the Group's interim financial information for the six months ended 30 June 2014 in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the

Entity". Based on their review, PricewaterhouseCoopers confirmed that nothing has come to their attention that causes them to believe that the interim financial information was not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim financial reporting".

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

PUBLICATION OF INTERIM REPORT

Pursuant to the requirements of the Listing Rules regarding the reporting period, the 2014 interim report of the Company will set out all information disclosed in the interim results announcement for the six months ended 30 June 2014 and will be despatched to the shareholders and uploaded on the websites of the Company (http://www.5100.net) and the Stock Exchange (http://www.hkexnews.hk) in due course.

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

Hong Kong, 22 August 2014

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 Conway Kong Wai and Mr. Kevin Cheng WEI.