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**Tibet 5100 Water Resources Holdings Ltd.**

**西藏5100水資源控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1115)**

**DISCLOSEABLE TRANSACTION**

**ACQUISITION  
OF 20% EQUITY INTERESTS IN TIBET  
HIGHLAND NATURAL WATER LIMITED\***

**THE AGREEMENT**

On 5 November 2014, the Purchaser and the Vendor entered into the Agreement, pursuant to which the Vendor conditionally agreed to sell to the Purchaser and the Purchaser conditionally agreed to acquire from the Vendor 20% equity interests in Highland Natural Water held by the Vendor, for a total consideration of RMB600,000,000. Highland Natural Water is principally engaged in the production of bottled (barreled) drinking water, sale of highland natural water and drinking water as well as import and export businesses. Its factory plants are established in Lhasa, Tibet, the PRC at an elevation of above 3,000 meters and are currently equipped with four imported production lines with an annual production capacity of 400,000 tonnes. Its products include 12-liter barreled natural drinking water under the brand “卓瑪泉” and bottled natural drinking water under the brand “易捷·卓瑪泉”, which are high quality Tibetan Plateau highland natural drinking water products. It is currently undergoing expansion works with a target to increase its total annual production capacity to 1,000,000 tonnes upon completion.

Pursuant to the Agreement, the total Consideration of RMB600,000,000 shall be payable by the Purchaser to the Vendor in the following manners:

1. 30% of the total Consideration (being RMB180,000,000 in aggregate) shall be paid in cash within 3 Business Days from the date of entering into the Agreement; and

2. The remaining 70% of the total Consideration (being RMB420,000,000 in aggregate) shall be paid in cash within 10 Business Days from the date of completion of the Acquisition.

The total Consideration will be financed by the Group's internal resources.

### **IMPLICATIONS UNDER LISTING RULES**

As the applicable percentage ratios (as defined in the Listing Rules) for the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements of the Listing Rules.

On 5 November 2014, the Purchaser and the Vendor entered into the Agreement, pursuant to which the Vendor conditionally agreed to sell to the Purchaser and the Purchaser conditionally agreed to acquire from the Vendor 20% equity interests in Highland Natural Water held by the Vendor, for a total consideration of RMB600,000,000.

### **THE AGREEMENT**

**Date:** 5 November 2014 (after trading hours)

**Parties:**

- (1) Tibet Ruiyufeng Enterprise Marketing & Planning Co., Ltd.\* (西藏睿譽豐企業策劃營銷有限公司), a company established in the PRC, which holds 26% equity interests in Highland Natural Water (as the “**Vendor**”) as at the date of the Agreement; and
- (2) Tibet Glacier Mineral Water Co., Ltd.\* (西藏冰川礦泉水有限公司), a company established in the PRC, which is an indirect wholly owned subsidiary of the Company (as the “**Purchaser**”).

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor, the other shareholders of Highland Natural Water, and their respective ultimate beneficial owners are third parties independent from the Company and its connected persons (as defined in the Listing Rules).

To the best knowledge of the Directors, the Vendor is principally engaged in corporate planning, corporate management consulting and investment management and Highland Natural Water is principally engaged in the production of bottled (barreled) drinking water, sale of highland natural water and drinking water as well as import and export businesses.

As at the date of the Agreement, the Group does not hold any equity interest in Highland Natural Water.

**Assets to be Acquired:**

The Sale Equity, being 20% of the equity interests in Highland Natural Water, will be acquired free from all claims and encumbrances and third party rights of any kind, together with all rights, present or future, including all rights to receive any and all dividends or other distributions declared, made or paid on and after the date of completion of the Acquisition.

**Consideration of the Acquisition:**

Pursuant to the Agreement, the total Consideration of RMB600,000,000 shall be payable by the Purchaser to the Vendor in the following manners:

1. 30% of the total Consideration (being RMB180,000,000 in aggregate) shall be paid in cash within 3 Business Days from the date of entering into the Agreement; and
2. The remaining 70% of the total Consideration (being RMB420,000,000 in aggregate) shall be paid in cash within 10 Business Days from the date of completion of the Acquisition.

The total Consideration will be financed by the Group's internal resources.

The total Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor and is on normal commercial terms with reference to and taking into account a number of factors, including but not limited to:

1. the market positioning of Highland Natural Water's natural drinking water brand "卓瑪泉", which is a well-known high quality natural drinking water brand in Tibet;
2. Highland Natural Water's paid-up capital, business history, sales performance, earnings trend, business development and potentials;

3. the reasons for the Acquisition and the benefits which are expected to accrue to the Group as a result of the Acquisition (details of which have been set out in this announcement); and
4. the representations, warranties and undertakings given by the Vendor to the Purchaser in the Agreement.

The Directors (including independent non-executive Directors) consider that the consideration payable by the Purchaser under the Agreement is fair and reasonable and is in the interests of the Company and the shareholders of the Company as a whole.

**Representations, Warranties and Undertakings:**

1. The parties mutually warrant that each of them has complete legal qualifications to sign the Agreement and perform each obligation provided for therein and has obtained or will obtain all effective approvals necessary for the signing and performance of the Agreement and the completion of the Acquisition according to its articles of association and relevant laws and regulations. The Agreement, once it is signed, shall be legal, effective, binding and enforceable. The parties shall execute the Agreement in the principle of good faith.
2. The Vendor undertakes that it has obtained relevant approvals, consents or made relevant filings required for the signing and performance of the Agreement and that the determination of the total Consideration for transfer of the Sales Equity meets the requirements of relevant laws and regulations which it is required to comply with. The Vendor has procured other existing shareholders of Highland Natural Water to approve the equity transfer contemplated under the Agreement and has obtained confirmations from other existing shareholders of Highland Natural Water regarding their waiver of the pre-emption right in respect of the Sales Equity. The Agreement and the Acquisition mentioned in the Agreement shall come into effect immediately after the signing thereof by the parties.
3. The parties mutually warrant that performance of the Agreement constitutes a commercial activity and all warranties and undertakings made in reliance on the Agreement are enduring and irrevocable and shall not be affected by any dispute, legal procedure or other factors. Successors and agents of the parties to the Agreement shall bear continuous obligations and responsibilities for the warranties and undertakings made herein by each of the parties to the Agreement and the obligations which are required to be performed under the Agreement.
4. During the period when the Vendor becomes and acts as a shareholder of Highland Natural Water, all procedures and formalities performed by the Vendor in respect of all matters involved in the equity interest in Highland Natural Water held by it are totally legal and complete. The Vendor warrants that the equity

interests transferred by it are equity interests in Highland Natural Water lawfully held by it and that it has complete and effective rights to dispose of the same. The Vendor also warrants that it has not created any charge, pledge, other security or third party interests and shall keep the Purchaser harmless from any accusation or actual damage arising from the Acquisition, otherwise the Vendor shall unconditionally bear all economic and legal responsibilities arising out of this.

5. Before the Purchaser becomes a registered holder of the Sales Equity, the Vendor and the Vendor's ultimate beneficial owner are independent third parties who are totally independent from and not connected with the Purchaser and its connected persons.
6. The parties shall procure Highland Natural Water to take necessary actions to complete the change of registration with the Administration for Industry and Commerce as soon as possible after completion of the Acquisition, so that the Purchaser can be registered as a register holder of the Sales Equity.
7. The parties are obliged to keep confidential the non-public information received from the other party. Neither party shall disclose such information to any third party (excluding intermediary agencies such as the parties' respective accountant, legal advisor or financial advisor) without written permission from both parties until such information has come into the public domain for other reasons, except for any disclosure required by applicable laws and regulations or demand from any court or regulatory authority. This clause shall continue to be effective following termination of the Agreement.
8. The aforesaid representations, warranties and undertakings shall continue to be effective following completion of the Acquisition contemplated under the Agreement.

**Force Majeure:**

Where any force majeure event which is not foreseeable and whose occurrence and consequence cannot be prevented or avoided directly affects the performance of the Agreement or results in the non-performance of the Agreement in accordance with its conditions, the party suffering from such event shall immediately inform the other party of such event in writing and shall, in principle, provide details of the event and effective evidence of the reason for non-performance of the Agreement within fifteen days of such event. Depending on the effect of such event on the performance of the Agreement, the parties to the Agreement shall decide through negotiation whether or not to rescind the Agreement, partially release the obligation to perform the Agreement or delay the performance of the Agreement.

**Completion:**

Both the Vendor and the Purchaser agree that both parties shall jointly complete the change of registration with the Administration for Industry and Commerce in relation to the equity interests in Highland Natural Water within ten days from the date on which the Agreement is signed. Upon completion of the Acquisition, Highland Natural Water will become an indirect associated company of the Company.

The Acquisition has been approved by the Board of Directors of the Company and at the shareholders' meeting of Highland Natural Water.

Other shareholders of Highland Natural Water have undertaken to waive the pre-emption right in respect of the Acquisition.

**Information on Highland Natural Water**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Highland Natural Water is a limited liability company established on 27 July 2010 under the laws of the PRC and is owned as to 26% by the Vendor as at the date of the Agreement; and its principal business activities include production of bottled (barrelled) drinking water, sales of highland natural water and drinking water as well as import and export businesses. Its factory plants are established in Lhasa, Tibet, the PRC at an elevation of above 3,000 meters and are currently equipped with four imported production lines with an annual production capacity of 400,000 tonnes. Its products include 12-liter barreled natural drinking water under the brand “卓瑪泉” and bottled natural drinking water under the brand “易捷·卓瑪泉”, which are high quality Tibetan Plateau highland natural drinking water products. It is currently undergoing expansion works with a target to increase its total annual production capacity to 1,000,000 tonnes upon completion.

So far as the Directors are aware, Highland Natural Water introduces the international advanced European water treatment equipment and the fully-automated production line integrating blowing, filling and capping to produce one-off 12-liter “卓瑪泉” barreled natural drinking water and uses an electronic dynamic detection system to manage its production. Water barrels are packaged by ultra-lightweight and environmentally friendly PET packaging materials using engineering mechanics design. When placed in water dispensers specially designed for 卓瑪泉 barreled natural drinking water, barrels are naturally folded when the water is consumed, in order to effectively prevent secondary pollution caused by air, floating dust and replacement of barrels in the drinking process. This is a revolutionary product in the barreled water industry.

Highland Natural Water operates its business by receiving advisory and management services from the management team of the Group’s “Tibet 5100 Glacial Spring Water” brand. Following completion of the Acquisition, the Group will continue to provide advisory and management services to Highland Natural Water.

On 7 August 2014, Sinopec Easy Joy Sales Co., Ltd.\* (中石化易捷銷售有限公司) and Highland Natural Water entered into a strategic cooperation agreement. According to relevant news released on Sinopec’s website, this agreement relates to the joint establishment by both parties of the “易捷•卓瑪泉” brand of bottled natural drinking water and the provision of natural drinking water sourced from Tibet to consumers in the PRC through convenience stores in Sinopec’s petrol stations. The strategic cooperation between Sinopec Easy Joy Sales Co., Ltd.\* and Highland Natural Water is reported as a strong alliance whereby resources are shared and advantages are complemented. Sinopec’s sales network has the distinctive advantage of having a large and vast presence, with more than 30,000 petrol stations across the PRC and has approximately 80 million active oil card members.

In October 2014, the Sinopec group successfully acquired an aggregate of 40% equity interest in Highland Natural Water and became the single largest shareholder of Highland Natural Water.

Highland Natural Water has maintained a rapid development and growth in the past three years. The financial information of Highland Natural Water prepared in accordance with the International Financial Reporting Standards are as follows:

	<b>1 January to 30 September 2014</b>	<b>2013</b>	<b>2012</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	<i>unaudited</i>	<i>audited</i>	<i>audited</i>
Sales revenue	103,921	19,218	3,047
Profit before tax	66,953	9,632	548
Profit after tax	<u>56,910</u>	<u>8,118</u>	<u>456</u>
	<b>As at 30 September 2014</b>	<b>As at 31 December 2013</b>	<b>As at 31 December 2012</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	<i>unaudited</i>	<i>audited</i>	<i>audited</i>
Total assets	592,028	502,537	70,894
Equity attributable to the owners	<u>165,576</u>	<u>108,665</u>	<u>26,547</u>

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company's main business is investment holding. Its subsidiaries are mainly engaged in the production and sales of premium bottled mineral water and beer in the PRC.

It is the Group's strategy to further increase the Group's capital investment in Tibet, expand the new business presence in the Chinese specialty beverage industry and aim to diversify the product offerings through this Acquisition, thereby broadening the profit base. The Directors consider that the acquisition of the equity interests in Highland Natural Water is complementary to the Group's existing business.

Having considered:

1. the business prospects and management analysis of Highland Natural Water, the Directors believe that Highland Natural Water has strong profitability and great growth potential. Since Sinopec Easy Joy Sales Co., Ltd.\* (中石化易捷销售有限公司) and Highland Natural Water have signed a strategic cooperation agreement and Sinopec group became the single largest shareholder of Highland Natural Water as disclosed above, the Directors believe that the business potentials and development of Highland Natural Water has a positive outlook;
2. the natural drinking water brand “卓瑪泉” of Highland Natural Water is a renowned Tibet high quality natural drinking water brand, which has a different water source from the premium “5100 Tibet Glacial Spring Water” of the Group. Natural drinking water is also different from natural glacial mineral water in many aspects, such as mineral contents. It effectively supplemented and expanded the Group's drinking water product mix. In addition, one of the main product of Highland Natural Water is 12-liter barreled natural drinking water, which does not overlap with the Group's premium bottled glacial mineral water brand “5100 Tibet Glacial Spring Water” both in terms of market segments and positioning, hence the management believes that these two products are complementary to each other;
3. the unique water dispenser adopted by Highland Natural Water is a leading product in the PRC and its barrels are vacuum packaged with environmentally friendly disposable PET ultra-lightweight materials, which is its patented technology. This technology can effectively eliminate secondary pollution that may be generated during the transporting and handling process for ordinary barreled drinking water. Moreover, it is innovative and acceptable by users, and has huge potential for market expansion;



4. Highland Natural Water has a well-established membership, marketing and management regime in place, which is a great benefit for customer development and promotion and also helps to maintain high customer loyalty. In addition, Highland Natural Water has developed an innovative and mature data system and user interaction platform, which helps to improve service quality and strengthen customer relationships, and it is expected to bring huge growth potential leveraging on further development and exploration of users data;
5. driven by the increasing wealth and rising living standards in the PRC, the major drivers for high quality beverage industry continue to maintain positive; and
6. the demand for products with distinctive Tibetan features has continued to increase in the PRC,

the Directors consider that the entering into of the Agreement and the terms and conditions of the Acquisition are fair and reasonable and are in the interests of the Company and the shareholders of the Company as a whole.

The Company believes that investment in Highland Natural Water will be beneficial for the Group. The Company believes that the Group will establish a close relationship with Highland Natural Water through this strategic investment. As the Group and Highland Natural Water are both based in Tibet and engaged in premium/high quality beverage industry, there will be potential cooperation opportunities in various aspects, and which will in turn enhance the Group's competitiveness in providing high-end and quality products with distinctive Tibetan features and strengthen the Group's sales business. Looking forward, Highland Natural Water is expected to continue to develop and grow rapidly. The Company also expects that this investment will bring another source of income for the Group and enrich the Group's earnings base.

#### **IMPLICATIONS UNDER LISTING RULES**

As the applicable percentage ratios (as defined in the Listing Rules) for the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements of the Listing Rules.

## **CO-OPERATION BETWEEN THE SUBSTANTIAL SHAREHOLDER OF HIGHLAND NATURAL WATER AND THE GROUP**

As at 23 October 2014, Sinopec Easy Joy Sales Co., Ltd.\* (中石化易捷銷售有限公司) and Tibet Glacier Mineral Water Co., Ltd.\* (西藏冰川礦泉有限公司) (being an in-direct wholly-owned subsidiary of the Company) entered into a strategic co-operation framework agreement, pursuant to which Sinopec Easy Joy Sales Co., Ltd.\* intends to sell premium bottled glacial mineral water “5100 Tibet Glacial Spring Water” of the Group to consumers through its Easy Joy convenience stores. Furthermore, Sinopec Easy Joy Sales Co., Ltd.\* (中石化易捷銷售有限公司) also intends to promote sales of water card with the Group together, and jointly provide higher quality and convenient services for consumers through its Easy Joy convenience stores as one of the locations to redeem water from the water card of the Group. This co-operation will potentially help to promote our “5100 Tibet Glacial Spring Water” and its water cards through a network of over 23,000 convenience stores in Sinopec’s petrol stations to nationwide customers in the PRC.

### **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Acquisition”	the acquisition of 20% equity interests in Highland Natural Water by the Purchaser from the Vendor pursuant to the Agreement;
“Agreement”	Equity Transfer Agreement dated 5 November 2014 entered into between the Purchaser and Vendor in respect of the Acquisition;
“Board”	the Board of Directors of the Company;
“Business Day(s)”	a day (excluding Saturday and Sunday) on which licensed banks are generally open for business in Hong Kong throughout their regular business hours;
“Company”	Tibet 5100 Water Resources Holdings Ltd., a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange;
“Consideration”	the consideration payable by the Purchaser to the Vendor for the Acquisition pursuant to the Agreement;

“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Highland Natural Water”	Tibet Highland Natural Water Limited* (西藏高原天然水有限公司), a company established in the PRC on 27 July 2010 with limited liability and 26% equity interests of which are owned by the Vendor as at the date of the Agreement;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PET”	polyethylene glycol terephthalate;
“PRC”	the People’s Republic of China;
“Purchaser”	Tibet Glacier Mineral Water Co., Ltd.* (西藏冰川礦泉水有限公司), a company incorporated in the PRC with limited liability and an in-direct wholly-owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Equity”	representing 20% of the total registered/paid-up capital of Highland Natural Water;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tibet”	Tibet Autonomous Region of the PRC;
“%”	per cent.; and
“*”	for identification purpose only.

By Order of the Board  
**Tibet 5100 Water Resources Holdings Ltd.**  
**Fu Lin**  
*Executive Director and Chief Executive Officer*

Hong Kong, 5 November 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.*