Tibet Water Resources Ltd.
西藏水資源有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1115)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHT

	Six months ended 30 June		
	2016	2015	**Change**
	(Unaudited)	*(Unaudited)*	**%**
Revenue (RMB'000)	**436,527**	427,481	↑ 2%
Profit attributable to the owners of the Company (RMB'000)	**156,897**	141,492	↑ 11%
Earnings per share			
– Basic (RMB cents)	**6.11**	5.51	↑ 11%
– Diluted (RMB cents)	**6.11**	5.51	↑ 11%
Sales volume (Tonnes)	**53,805**	62,370	↓ 14%

	As at 30 June 2016	As at 31 December 2015
	(Unaudited)	*(Audited)*
Total assets (RMB'000)	**4,446,692**	3,660,491
Equity attributable to owners of the Company (RMB'000)	**2,967,067**	2,877,805

INTERIM RESULTS

The board of directors (the "**Directors**") (the "**Board**") of Tibet Water Resources 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 2016. 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

	Note	**Unaudited 30 June 2016** ***RMB'000***	Audited 31 December 2015 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	8	**635,020**	655,505
Land use rights	8	**31,055**	31,417
Intangible assets	8	**143,627**	154,638
Goodwill	8	**721,139**	721,139
Investment in associates	9	**1,081,754**	1,062,595
Deferred income tax assets	13	**3,031**	3,038
Prepayments		**6,147**	6,792
Other receivables and other assets	11	**360**	360
Total non-current assets		**2,622,133**	2,635,484
Current assets			
Trade receivables	10	**198,582**	205,266
Prepayments		**39,224**	20,942
Prepaid enterprise income tax		**9,097**	10,798
Other receivables and other assets	11	**214,127**	87,341
Inventories		**77,505**	72,528
Cash and cash equivalents		**1,286,024**	628,132
Total current assets		**1,824,559**	1,025,007
Total assets		**4,446,692**	3,660,491

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**Unaudited 30 June 2016** *RMB'000*	Audited 31 December 2015 *RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	**21,363**	21,363
Share premium	12	**1,206,829**	1,206,829
Reserves	12	**255,459**	235,269
Retained earnings		**1,483,416**	1,414,344
		2,967,067	2,877,805
Non-controlling interests		**346,570**	319,202
Total equity		**3,313,637**	3,197,007
LIABILITIES			
Non-current liabilities			
Convertible bond – liability component	15	**436,166**	—
Deferred revenue		**25,371**	22,058
Deferred income tax liabilities	13	**21,855**	38,340
Total non-current liabilities		**483,392**	60,398
Current liabilities			
Trade payables	14	**97,653**	72,827
Deferred revenue and advances received from customers		**33,819**	44,868
Enterprise income tax payable		**28,522**	20,558
Accruals and other payables		**58,669**	64,833
Bank borrowings	16	**431,000**	200,000
Total current liabilities		**649,663**	403,086
Total liabilities		**1,133,055**	463,484
Total equity and liabilities		**4,446,692**	3,660,491

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**Unaudited Six months ended 30 June 2016** *RMB'000*	2015 *RMB'000*
Revenue	7	**436,527**	427,481
Cost of sales	18	**(168,826)**	(174,854)
Gross profit		**267,701**	252,627
Selling and distribution costs	18	**(45,003)**	(58,283)
Administrative expenses	18	**(33,219)**	(34,846)
Other gains, net	17	**1,027**	10,769
Operating profit		**190,506**	170,267
Finance income		**8,250**	7,035
Finance costs		**(8,174)**	(7,656)
Finance income/(cost), net		**76**	(621)
Share of post-tax profit of associates	9	**12,759**	13,527
Profit before income tax		**203,341**	183,173
Income tax expense	19	**(21,076)**	(17,698)
Profit for the period		**182,265**	165,475
Profit attributable to:			
– Owners of the Company		**156,897**	141,492
– Non-controlling interests		**25,368**	23,983
		182,265	165,475
Earnings per share for profit attributable to the owners of the Company			
– Earnings per share (basic and diluted) (RMB cents per share)	20	**6.11**	5.51

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months ended 30 June 2016 *RMB'000*	2015 *RMB'000*
Profit for the period		**182,265**	165,475
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Foreign currency translation differences	12	**1,987**	48
Other comprehensive income for the period, net of tax		**1,987**	48
Total comprehensive income for the period		**184,252**	165,523
Attributable to:			
– Owners of the Company		**158,884**	141,540
– Non-controlling interests		**25,368**	23,983
Total comprehensive income for the period		**184,252**	165,523

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited						
	Attributable to owners of the Company						
	Share capital *RMB'000*	Share premium *RMB'000*	Reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2016	**21,363**	**1,206,829**	**235,269**	**1,414,344**	**2,877,805**	**319,202**	**3,197,007**
Profit for the period	**—**	**—**	**—**	**156,897**	**156,897**	**25,368**	**182,265**
Foreign currency translation differences	**—**	**—**	**1,987**	**—**	**1,987**	**—**	**1,987**
Total comprehensive income for the period	**—**	**—**	**1,987**	**156,897**	**158,884**	**25,368**	**184,252**
Acquisition of a subsidiary	**—**	**—**	**—**	**—**	**—**	**2,000**	**2,000**
Convertible bond – equity component	**—**	**—**	**18,203**	**—**	**18,203**	**—**	**18,203**
Dividends relating to 2015 paid in June 2016	**—**	**—**	**—**	**(87,825)**	**(87,825)**	**—**	**(87,825)**
Balance at 30 June 2016	**21,363**	**1,206,829**	**255,459**	**1,483,416**	**2,967,067**	**346,570**	**3,313,637**
Balance at 1 January 2015	21,363	1,206,829	210,182	1,239,147	2,677,521	273,098	2,950,619
Profit for the period	—	—	—	141,492	141,492	23,983	165,475
Foreign currency translation differences	—	—	48	—	48	—	48
Total comprehensive income for the period	**—**	**—**	48	141,492	141,540	23,983	165,523
Dividends relating to 2014 paid in June 2015	—	—	—	(81,073)	(81,073)	—	(81,073)
Balance at 30 June 2015	21,363	1,206,829	210,230	1,299,566	2,737,988	297,081	3,035,069

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash generated from operations	**214,655**	176,755
Interest received	**1,713**	1,924
Income tax paid	**(27,890)**	(6,541)
Net cash flows from operating activities	**188,478**	172,138
Cash flows from investing activities		
Purchases of property, plant and equipment	**(6,028)**	(11,728)
Cash received from government grants related to fixed assets	**4,860**	—
Purchases of available-for-sale financial assets ("AFS")	**(230,000)**	(270,000)
Proceeds from disposal of AFS	**237,826**	272,532
Lendings granted to third parties	**(472,664)**	—
Repayments of lendings received from third parties	**382,951**	14,474
Cash advances to a related party	**(160,000)**	(49,000)
Repayments of cash advances received from a related party	**130,000**	—
Amounts received from a third party	**200,000**	—
Amounts paid to a third party	**(200,000)**	—
Amounts received from a related party	**40,000**	—
Amounts paid to a related party	**(40,000)**	—
Investment in associates	**(6,400)**	(390,000)
Net cash flows from investing activities	**(119,455)**	(433,722)
Cash flows from financing activities		
Cash received from capital contributions by minority shareholders of a subsidiary	**2,000**	—
Repayments of bank borrowings	**(60,023)**	—
Repayment of a borrowing from government	**—**	(55,000)
Dividends paid to shareholders	**(87,825)**	(81,073)
Proceeds from bank borrowings	**286,000**	200,000
Issue of convertible bond	**448,718**	—
Net cash flows from financing activities	**588,870**	63,927
Net increase/(decrease) in cash and cash equivalents	**657,893**	(197,657)
Cash and cash equivalents at beginning of period	**628,132**	763,409
Exchange (losses)/gains	**(1)**	7
Cash and cash equivalents at end of period	**1,286,024**	565,759

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") since 30 June 2011.

The condensed interim consolidated financial information is presented in Renminbi ("RMB"), unless otherwise stated.

Key event

On 24 June 2016, the Group issued convertible bond at nominal value of HKD525,000,000 (equivalent to RMB448,717,500) with annual coupon rate of 6% and conversion price of HKD3.5 per ordinary share. Further details are given in Note 15.

2 BASIS OF PREPARATION

This condensed interim consolidated financial information for the six months ended 30 June 2016 has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim financial reporting". The condensed interim consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements except for accounting policy for convertible bond which is a new type of transaction of the Group in current period, and the adoption of amendments to IFRSs effective for the financial year ending 31 December 2016.

(a) Convertible bond

Convertible bond issued by the Group can be converted to share capital at the option of the holder.

The liability component of convertible bond is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of convertible bond as a whole and the fair value of the liability component, which is included in shareholders' equity in other reserves. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

3 ACCOUNTING POLICIES (CONTINUED)

(a) Convertible bond (continued)

Subsequent to initial recognition, the liability component of convertible bond is measured at amortised cost using the effective interest method. The equity component of convertible bond is not re-measured subsequent to initial recognition.

The liability component of a convertible instrument is classified as current unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(b) Amendments to IFRSs effective for the financial year ending 31 December 2016 do not have a material impact to the Group.

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

(c) Impact of standards issued but not yet applied by the entity

(*i*) *IFRS 9 Financial instruments*

IFRS 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until 1 January 2018 but is available for early adoption. The Group does not expect to adopt the new standard before 1 January 2018.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as AFS would appear to satisfy the conditions for classification as at fair value through other comprehensive income ("FVOCI") and hence there will be no change to the accounting for these assets.

Accordingly the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 *Financial Instruments:* Recognition and Measurement and have not been changed. The new hedge accounting rules are not expected to have significant impact to the Group given that the Group does not have any hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in earlier recognition of credit losses.

3 ACCOUNTING POLICIES (CONTINUED)

(c) Impact of standards issued but not yet applied by the entity (continued)

(*i*) *IFRS 9 Financial instruments (continued)*

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The Group will continue to make detailed assessments of the effect from the new standard.

(*ii*) *IFRS 15 Revenue from contracts with customers*

The International Accounting Standards Board ("IASB") has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018, and will allow early adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and at this stage, the Group is not able to estimate the overall effect of the new rules on the Group's financial statements. The Group will make more detailed assessments of the effect over the next twelve months. The Group does not expect to adopt the new standard before 1 January 2018.

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 expense. Actual results may differ from these estimates.

In preparing this 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 consolidated financial statements for the year ended 31 December 2015, except for the changes in estimates that are required in the impairment assessment for the investment in an associate - Tibet Highland Natural Water Limited ("Highland Natural Water") (see Note 9).

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, 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 Group's annual financial statements for the year ended 31 December 2015.

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

5.2 Liquidity risk

Compared to year end, there was no change in the contractual undiscounted cash outflows for financial liabilities except for the new bank borrowings amounting to RMB286,000,000 and the convertible bond of RMB448,717,500 (Note 15). The contractual undiscounted cash outflows from such borrowings and convertible bond are as follows:

	Less than 1 year	**1-2 years**	**2-3 years**
	RMB'000	***RMB'000***	***RMB'000***
At 30 June 2016			
Borrowings	**287,023**	**—**	**—**
Convertible bond	**27,439**	**26,997**	**475,139**

5.3 Fair value estimation

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

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

6 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board which is considered as chief operating decision-maker.

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

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

The segment information provided to the Board for the reportable segments for the six months ended 30 June 2016 is as follows:

	Mineral water products *RMB'000*	Beer products *RMB'000*	Inter-segment elimination *RMB'000*	Group *RMB'000*
Segment revenue	**237,497**	**199,300**	**(270)**	**436,527**
Cost of sales	**(67,807)**	**(101,289)**	**270**	**(168,826)**
Gross profit for the period	**169,690**	**98,011**	**—**	**267,701**
Income tax expense	**13,597**	**7,479**	**—**	**21,076**
Depreciation and amortisation	**11,280**	**26,749**	**—**	**38,029**
Segment assets	**2,175,111**	**2,107,772**	**(397,412)**	**3,885,471**
Deferred income tax assets				**3,031**
Corporate assets				**558,190**
Total assets				**4,446,692**

6 SEGMENT INFORMATION (CONTINUED)

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

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

7 REVENUE

Revenue from external customers is derived from the sales of premium bottled mineral water products and beer products. The Group also sells bottle preforms and caps and leases a bottled water production line to an associate and generated revenue from those activities. Breakdown of the revenue is as follows:

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Sales of mineral water products	**198,833**	195,937
Sales of beer products	**199,030**	208,491
Sales of bottle preforms and caps (Note 23)	**37,638**	22,027
Leasing of a bottled water production line (Note 23)	**1,026**	1,026
	436,527	427,481

Revenues from external customers of the Group were derived in the PRC for the six months ended 30 June 2016 and 2015.

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 2016	**655,505**	**31,417**	**154,638**	**721,139**
Additions	**6,171**	**—**	**—**	**—**
Depreciation and amortisation (Note 18)	**(26,656)**	**(362)**	**(11,011)**	**—**
Closing net book amount at 30 June 2016	**635,020**	**31,055**	**143,627**	**721,139**
Opening net book amount at 1 January 2015	661,256	32,141	176,724	721,139
Additions	30,969	—	—	—
Depreciation and amortisation (Note 18)	(26,288)	(359)	(10,952)	—
Closing net book amount at 30 June 2015	665,937	31,782	165,772	721,139

As at 30 June 2016, a factory plant with net book value of RMB41,989,032 and land use rights with net book value of RMB1,059,156 were secured for a bank borrowing amounting to RMB66,000,000 (Note 16) (As at 31 December 2015, no property, plant and equipment was pledged).

9 INVESTMENT IN ASSOCIATES

	Six months ended 30 June 2016 *RMB'000* *Unaudited*
Beginning of the period	**1,062,595**
Addition (a)	**6,400**
Share of post-tax profits of associates	**12,759**
End of the period	**1,081,754**

(a) In January 2016, the Group acquired 2% of the share capital of Beijing GT Express Limited (北京貫通雲網有限公司; "GT Express") for a cash consideration of RMB6,400,000. GT Express is a company specialising in internet-based express services. Based on the articles of association of GT Express, the Group can appoint 1 out of 7 directors for GT Express and participate in the operational decision making for GT Express.

The Group's share of the results in a material associate - Highland Natural Water, and its aggregated assets and liabilities are shown below:

	As at	
	30 June 2016 *RMB'000* *Unaudited*	31 December 2015 *RMB'000* *Audited*
Assets	**825,680**	800,978
Liabilities	**585,019**	606,080

	Six months ended	
	30 June 2016 *RMB'000* *Unaudited*	30 June 2015 *RMB'000* *Unaudited*
Revenue	**206,866**	144,591
Share of profit	**13,464**	13,527
Percentage held	**33%**	33%

9 INVESTMENT IN ASSOCIATES (CONTINUED)

Management performed impairment analysis for the investment in Highland Natural Water. The recoverable amount of the investment is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering an eight-year period when optimum market share is expected to be reached. Cash flows beyond the eight-year period are extrapolated using the estimated growth rates.

The key assumptions used for value-in-use calculations as at 30 June 2016 and 31 December 2015 are as follows:

	As at 30 June 2016	**As at 31 December 2015**
Compound annual revenue growth rate	**5.00%~36.51%**	5.43%~24.35%
Long-term growth rate	**3.00%**	3.00%
Gross margin	**57.41%~59.37%**	62.55%~66.00%
Pre-tax discount rate	**13.24%**	12.70%
Government subsidy income	**Continued government subsidy income from 2016 onwards**	Continued government subsidy income from 2016 onwards

Revenue growth rate and gross margin are based on past performance and management's expectations of market development. The long term growth rates used are estimated with reference to industry forecasts. The discount rate used is pre-tax and reflects specific risks relating to the business.

The Directors are of the view that there was no impairment of investment in Highland Natural Water as at 30 June 2016 and 31 December 2015.

10 TRADE RECEIVABLES

Trade receivables represent those due from third party customers with good credit history and low default rates. The aging analysis of trade receivables was as follows:

	As at	
	30 June	31 December
	2016	2015
	RMB'000	*RMB'000*
	Unaudited	*Audited*
Within 6 months	**71,336**	22,732
Over 6 months but within 1 year	**17,615**	89,115
Over 1 year but within 2 years	**101,778**	86,377
Over 2 years	**7,853**	7,042
	198,582	205,266

As at 30 June 2016 and 31 December 2015, no trade receivables were impaired and provided for.

11 OTHER RECEIVABLES AND OTHER ASSETS

	As at	
	30 June	31 December
	2016	2015
	RMB'000	*RMB'000*
	Unaudited	*Audited*
Deposits	**1,181**	1,243
Amounts due from third parties (a)	**158,601**	62,599
Amounts due from an associate (Note 23)	**51,321**	21,321
Others	**3,384**	2,538
	214,487	87,701
Less: non-current portion		
Deposits	**(360)**	(360)
Current portion	**214,127**	87,341

11 OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

(a) The balance includes the following items:

(i) amounts due from a third party company of RMB135,950,000 (2015: RMB50,000,000), which representing lending principal of RMB130,000,000 (2015: RMB50,000,000) and accrued interest of RMB5,950,000 (2015: nil). The lending is at fixed interest rate at 10% per annum and contractual maturity date on 28 December 2016.

(ii) amounts due from another third party company of RMB12,943,000 (2015: RMB12,599,000), which representing lending principal of RMB11,500,000 (2015: RMB11,500,000) and accrued interest of RMB1,443,000 (2015: RMB1,099,000). The lending is at fixed interest rate at 6% per annum and contractual maturity date on 31 December 2016.

(iii) amounts due from another third party company of RMB4,278,000 (2015: nil). The interest rate was based on the one-year deposit rate announced by Hang Seng Bank, which was 0.2% as at 30 June 2016. The contractual maturity date on 8 January 2017.

(iv) amounts due from third party companies of RMB5,430,000 (2015: nil), which were unsecured, non-interest bearing and repayable on demand.

The Group's maximum exposure to credit risk at the 30 June 2016 is the carrying amounts of the receivables mentioned above. The Group does not hold any collateral as security.

12 SHARE CAPITAL, SHARE PREMIUM AND RESERVES

	Number of ordinary shares *(thousands)*	**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 2016	**2,568,893**	**25,689**	**21,363**	**1,206,829**	**235,269**
Other comprehensive income	**—**	**—**	**—**	**—**	**1,987**
Convertible bond-equity component	**—**	**—**	**—**	**—**	**18,203**
At 30 June 2016	**2,568,893**	**25,689**	**21,363**	**1,206,829**	**255,459**
Opening balance at 1 January 2015	2,568,893	25,689	21,363	1,206,829	210,182
Other comprehensive income	—	—	—	—	48
At 30 June 2015	2,568,893	25,689	21,363	1,206,829	210,230

13 DEFERRED INCOME TAX

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

	As at	
	30 June	30 June
	2016	2015
	RMB'000	*RMB'000*
	Unaudited	*Unaudited*
Deferred tax assets:		
Opening balance at 1 January	**3,038**	2,524
Income statement (charge)/credit	**(7)**	237
Closing balance at 30 June	**3,031**	2,761
Deferred tax liabilities:		
Opening balance at 1 January	**(38,340)**	(35,835)
Income statement credit	**1,285**	819
Settlement of withholding tax upon dividend declared	**15,200**	10,489
Closing balance at 30 June	**(21,855)**	(24,527)

14 TRADE PAYABLES

The aging analysis of the trade payables was as follows:

	As at	
	30 June	31 December
	2016	2015
	RMB'000	*RMB'000*
	Unaudited	*Audited*
Within 45 days	**59,896**	41,623
Over 45 days but within 6 months	**17,337**	21,391
Over 6 months but within 1 year	**11,906**	7,774
Over 1 year but within 2 years	**6,831**	1,092
Over 2 years	**1,683**	947
	97,653	72,827

15 CONVERTIBLE BOND – LIABILITY COMPONENT

	As at	
	30 June	31 December
	2016	2015
	RMB'000	*RMB'000*
	Unaudited	*Audited*
Convertible bond - liability component	**436,166**	—

On 24 June 2016, the Group issued convertible bond (the "Bond") at a nominal value of HKD525,000,000 (equivalent to RMB448,717,500) and the annual coupon rate is 6%. The Bond will mature on 24 June 2019 at their nominal value of HKD525,000,000 and can be converted into ordinary shares of the Company at the Bond holder's option at a price of HKD3.50 per share. The Bond is secured by the entire issued shares of Wealth Keeper Limited, a wholly owned subsidiary of the Group and can be early redeemed upon certain events at the option of the Bond holder or the issuer. The early redemption options were closely related to the host contract of the Bond and as such they were not separated from the host debt as derivatives. The value of the liability component (HKD512,564,249, equivalent to RMB438,088,664) and the equity conversion component (HKD21,607,088, equivalent to RMB18,284,151), net of transaction costs of HKD2,400,000 (equivalent to RMB2,003,280), were determined at issuance of the Bond. The fair value of the liability component included in non-current borrowings was calculated using a market interest rate for an equivalent non-convertible bond. The liability component is subsequently stated at amortised cost until being extinguished upon conversion or maturity of the Bond. The residual amount, representing the value of the equity conversion component, is included in the reserves. The fair value difference of the Bond between the subscription agreement date (31 March 2016) and the issuance date (24 June 2016) was recorded as a fair value loss of HKD9,171,337 (equivalent to RMB7,655,315) (Note 17).

16 BANK BORROWINGS

	As at	
	30 June	31 December
	2016	2015
	RMB'000	*RMB'000*
	Unaudited	*Audited*
Current portion of long-term borrowings from banks (a)	**215,000**	150,000
Short-term borrowing from banks (b)	**216,000**	50,000
	431,000	200,000

The current borrowings were denominated in RMB as at 30 June 2016 and 31 December 2015.

(a) This includes the following borrowings from banks:

(i) The borrowing with principal amount of RMB200,000,000 was guaranteed by Tibet Glacier Mineral Water Co., Ltd. ("Tibet Glacier Mineral Water"), a subsidiary of the Group. The interest rate was based on the directive interest rate announced by the People's Bank of China minus 1.98%, which was 2.77% as at 30 June 2016. The tenure of the borrowing is from 28 January 2015 to 27 January 2017. According to the agreement, the Group has repaid the loan as follows: RMB50,000,000 was repaid in July 2015; RMB50,000,000 was repaid in January 2016. The remaining RMB100,000,000 is repayable on 27 January 2017.

16 BANK BORROWINGS (CONTINUED)

(ii) The borrowing with principal amount of RMB120,000,000 was pledged by 28,099,562 shares of a third party, Tibet Galaxy Development Co., Ltd. ("西藏銀河發展有限公司") held by a shareholder, Tibet Everbright Jinlian Industrial Co. Ltd. ("西藏光大金聯實業有限公司"). The fixed interest rate was 2.75%. The tenure of the borrowing is from 18 January 2016 to 17 January 2018. According to the loan agreement, the borrowing should be repaid based on the following schedule: repayments of RMB5,000,000, RMB5,000,000, RMB5,000,000 and RMB105,000,000 on 18 June 2016, 18 December 2016, 18 June 2017 and 17 January 2018 respectively. The first RMB5,000,000 has been repaid on 18 June 2016. Due to certain term of the borrowing agreement, the bank has the potential right to request for repayment of the loan before the contractual maturity dates. Accordingly, the outstanding borrowing amounting to RMB115,000,000 was recorded as current liability at 30 June 2016.

(b) This includes the following borrowings from banks:

(i) The borrowing with principal amount of RMB50,000,000 was guaranteed by Tibet Glacier Mineral Water Marketing Co., Ltd, a subsidiary of the Group. The fixed interest rate was 2.35%. The tenure of the borrowing is from 2 November 2015 to 1 November 2016.

(ii) The borrowing with principal amount of RMB66,000,000 was guaranteed by the Company and secured by the factory plant and land use rights with net book value of RMB43,048,188 of Tibet Glacier Mineral Water (Note 8). The fixed interest rate was 2.35%. The tenure of the borrowing is from 25 March 2016 to 24 March 2017.

(iii) The borrowing with principal amount of RMB100,000,000 was guaranteed by the Company. The fixed interest rate was 2.35%. The tenure of the borrowing is from 25 March 2016 to 25 March 2017.

The Group has the following undrawn borrowing facilities:

	As at	
	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
Floating rate:		
– expiring within one year (Bank loans)	**150,000**	—

17 OTHER GAINS, NET

	Unaudited Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Government grants	**993**	8,399
Gain on disposal of AFS (a)	**7,826**	2,532
Fair value loss on the Bond (Note 15)	**(7,655)**	—
Others	**(137)**	(162)
	1,027	10,769

(a) For the six months ended 30 June 2016, the Group purchased financial products in total amounting to RMB230,000,000 issued by a financial institution in the PRC. These investments retain the possible loss of the principal amount invested, and were classified as AFS. These financial products will mature within one year with variable return rates indexed to the performance of underlying assets. As of 30 June 2016, the Group has disposed all these investments, resulting in a gain amounting to RMB7,826,000.

18 EXPENSES BY NATURE

Expenses including cost of sales, selling and distribution costs and administrative expenses were analysed as follows:

	Unaudited Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Raw materials and consumables used	**125,200**	126,593
(Increase)/decrease in the balances of inventories of finished goods and work in progress	**(1,239)**	5,162
Transportation costs	**20,246**	34,307
Depreciation of property, plant and equipment (Note 8)	**26,656**	26,288
Amortisation of land use rights (Note 8)	**362**	359
Amortisation of intangible assets (Note 8)	**11,011**	10,952
Employee benefit expenses	**31,696**	34,234
Consulting and other service expenses	**2,720**	3,296
Advertising and marketing expenditure	**11,398**	6,646
City construction tax and education surcharge	**6,155**	6,270
Electricity and other utility expenses	**6,604**	4,660
Repair, maintenance and rental expenses	**4,046**	6,291
Others	**2,193**	2,925
	247,048	267,983

19 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. Certain subsidiaries of the Group established under the International Business Companies Acts of the British Virgin Islands are exempted from British Virgin Islands income taxes.

Certain subsidiaries of the Group incorporated in the PRC are subject to PRC enterprise income tax. Entities in the Tibet Autonomous Region of the PRC were entitled to preferential tax rates of 9% for the six months ended 30 June 2016 and 2015. The remaining entities are taxed based on the statutory income tax rate of 25% for the six months ended 30 June 2016 and 2015 as determined in accordance with the relevant PRC income tax rules and regulations.

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Current income tax	**22,354**	18,754
Deferred income tax	**(1,278)**	(1,056)
	21,076	17,698

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 2016 is about 10.4% (the estimated tax rate for the six months ended 30 June 2015 was 9.7%).

20 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share for the six months ended 30 June 2016 and 2015 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	
	2016	**2015**
Profit attributable to owners of the Company (RMB'000)	**156,897**	141,492
Weighted average number of shares in issue (thousands)	**2,568,893**	2,568,893
Basic earnings per share (RMB cents per share)	**6.11**	5.51

20 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

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. The Company has two categories of potential ordinary shares: the Bond issued on 24 June 2016 and share options granted under a share option scheme on 16 December 2015. During the period ended 30 June 2016, when these two categories of potential ordinary shares are assumed to have converted into ordinary shares since the issue dates, the calculated earnings per share under each circumstance is more than the basic earnings per share. As such, the Bond and share options are determined to be anti-dilutive (2015: no dilutive potential ordinary shares), and not to be included in the calculation of the diluted earnings per share in this period. With no dilutive potential ordinary shares, the diluted earnings per share is the same as the basic earnings per share for the Company for the six months ended 30 June 2016 and 2015.

21 DIVIDENDS

A dividend of RMB87,825,000 related to the year ended 31 December 2015 was paid on 30 June 2016 (six months ended 30 June 2015: RMB81,073,000 related to the year ended 31 December 2014 was paid). No dividend has been declared by the Company in respect of the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

22 SHARE-BASED PAYMENTS

On 16 December 2015, the Company granted 25,200,000 share options to China Distribution and Logistics Company Ltd. ("China Distribution"). Under the agreement, China Distribution has the right to purchase up to 25,200,000 ordinary shares of the Company at the price of HKD3.00 per share within 10 years from 1 January 2016 if certain performance conditions are met by China Distribution during the vesting period from 1 January 2016 to 31 December 2018.

The vesting of the share options is conditional, subject to the achievement of the prescribed sale and performance targets by China Distribution within three years commenced from 1 January 2016.

The Group has no legal or constructive obligation to repurchase or settle the options in cash. As at 30 June 2016, none of the share options was exercisable.

The Company determined that the above share option scheme was a sales incentive to its major customer – China Distribution. As at 30 June 2016, management assessed the possibility for China Distribution to meet the vesting conditions within three years period from 1 January 2016 and concluded that none of the vesting conditions could be met within the three years' period. Accordingly, no debit of revenue was recorded for the period ended 30 June 2016 (nil for the period ended 30 June 2015) relating to the sales incentive under the above share option scheme.

23 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	
	2016	2015
	RMB'000	*RMB'000*
Revenue from license fee (i)		
– An entity under common control	**—**	20
Purchase of goods (ii)		
– An entity under common control	**—**	39
Revenue from leasing of a production line (iii) (Note 7)		
– An associate	**1,026**	1,026
Revenue from selling of bottle preforms and caps (iii) (Note 7)		
– An associate	**37,638**	22,027
Settlement of trade receivables (iii)		
– An associate	**40,000**	—
Cash advance to a related party (iii)		
– An associate	**30,000**	—
Financial guarantee (Note 24(c))		
– An associate	**260,000**	—
Revenue from selling of mineral water products (iv)		
– An associate	**302**	836

23 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) **Transactions with related parties (continued)**

(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. There was no such transaction in the first half of 2016.

(ii) Goods were bought from an entity controlled by the Controlling Shareholder based on agreed terms between both parties. There was no such transaction in the first half of 2016.

(iii) These were the transactions between the Group and Highland Natural Water, an associate of the Group. The transactions were based on the agreed terms between both parties.

(iv) These were the transactions between the Group and Moutai Group Tibet 5100 Mineral Water Co., Ltd ("Moutai 5100"), an associate of the Group. The transactions were based on the agreed terms between both parties.

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

	As at	
	30 June	31 December
	2016	2015
	RMB'000	*RMB'000*
	Unaudited	*Audited*
Trade receivables		
– An associate - Highland Natural Water	**5,237**	—
– An associate - Moutai 5100	**1,138**	836
Other receivables		
– An associate - Highland Natural Water (Note 11)	**51,321**	21,321

Trade and other receivables from associates are unsecured, non-interest bearing and repayable on demand.

(c) **Key management compensation**

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

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Salaries and other short-term employee benefits	**4,494**	4,651

24 COMMITMENTS AND CONTINGENT LIABILITIES

(a) **Capital commitments**

As at 30 June 2016, the Group committed into equity investments in various companies in the PRC amounting to RMB85,000,000 (31 December 2015: nil).

(b) **Operating lease commitments**

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

	As at	
	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	Unaudited	*Audited*
No later than 1 year	**4,678**	3,485
Later than 1 year and no later than 5 years	**1,587**	2,454
	6,265	5,939

(c) **Contingent Liabilities**

The Group provided a financial guarantee to an associate amounting to RMB260,000,000 as at 30 June 2016 (30 June 2015: nil) (Note 23). The guarantee was provided for a bank borrowing of the associate with the principal amount of RMB240,000,000, the period of the guarantee is from 20 July 2015 to 20 July 2017.

25 SEASONALITY OF OPERATIONS

The sales of the Group for mineral water and beer products are subject to seasonal fluctuations, with peak demand in the second and third quarters of the year. This is due to seasonal weather conditions.

In the financial year ended 31 December 2015, the Group has a major sales contract with a customer. The contract period was from 1 July 2014 to 30 June 2015. If exclude sales under this contract, 49% of revenues accumulated in the first half of year 2015, with 51% accumulating in the second half of year 2015.

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

In the first half of 2016, we continued our endeavors in supplying high quality products and premium services to our customers.

Despite facing stronger competition and a more challenging economic environment in the first half of 2016, in which in particular premium products in general suffer, the Group was able to increase its sales volume (excluding sales to China Railway Express Co., Ltd. ("CRE")) by 14%. However, the overall sales volume was down 14%, in comparison with that of the first half of 2015, due to the expiration of the supply agreement with CRE at the end of June 2015. The share of total revenue for our retail distribution channel of our bottled water products in our mineral water business segment increased from 73% in the first half of 2015 to 93% in the first half of 2016.

The share of our Tibet 5100 Glacial Spring Water ("5100 Glacial Water") bottled water redemption card business of the total revenue of our bottled water products in our mineral water business segment in the first half of 2016 was 4%.

As at 30 June 2016, the geographical coverage of our third party retail sales channel of our mineral water business segment covered 139 cities, and the numbers of distributors and sales outlets were 265 and 9,218, respectively.

In the first half of 2016, the share of total revenue of our highland barley beer business segment within and outside of the Tibet Autonomous Region was 98% and 2%, respectively.

FINANCIAL REVIEW

In the first half of 2016, total sales of the Group amounted to RMB437 million, representing an increase of approximately RMB9 million or 2% from the total sales of the Group of RMB427 million in the first half of 2015.

Although there was an increase in fixed costs per tonne due to a decrease in production volume, because of the optimization of our customer mix, the gross profit margin of our bottled water products had a further increase in the first half of 2016, despite a slight drop in the overall gross profit margin ratio in our mineral water business segment from 72.2% in the first half of 2015 to 71.4% in the first half of 2016 due to the performance in its non-core business. Besides, due to the optimization of our beer product mix and an overall decrease in raw material costs, the gross profit margin of our highland barley beer business segment has also increased from 45.3% in the first half of 2015 to 49.2% in the first half of 2016. The above mentioned changes in gross profit margin ratios resulted in an increase in the overall gross profit margin of the Group from 59.1% in the first half of 2015 to 61.3% in the first half of 2016.

REVENUE

In the first half of 2016, total sales of RMB437 million of the Group consisted of (i) the revenue generated from the sales in our mineral water business segment in the amount of approximately RMB237 million, representing an increase of 8% from the sales of RMB219 million in the first half of 2015, and (ii) the revenue generated from our highland barley beer business segment in the amount of RMB199 million, representing a slight decrease of approximately 5% from the sales of RMB208 million in the first half of 2015, largely due to the impact of seasonal fluctuations.

The average selling price of our mineral water products increased from RMB6,810 per tonne in the first half of 2015 to RMB8,880 per tonne in the first half of 2016. Such an increase was mainly attributable to a change in our customer mix. The average selling price of our highland barley beer products increased from RMB6,205 per tonne in the first half of 2015 to RMB6,336 per tonne in the first half of 2016. Such an increase was mainly attributable to the optimization of our beer product mix. The above-mentioned changes in average selling prices led to an overall increase in the total average selling price of our mineral water products and highland barley beer products from RMB6,484 per tonne in the first half of 2015 to RMB7,395 per tonne in the first half of 2016.

SALES VOLUME

In comparison with the 15,614 tonnes supplied to CRE in the first half of 2015, due to the expiry of the supply agreement with CRE on 30 June 2015, there was no bottled mineral water supplied to CRE in the first half of 2016.

Mainly due to the above mentioned, in the first half of 2016, the total sales volume of the Group amounted to 53,805 tonnes, consisting of 22,390 tonnes in our mineral water business segment and 31,415 tonnes in our highland barley beer business segment, overall decreased by 14% compared to the total sales volume of 62,370 tonnes in the first half of 2015.

However, in the first half of 2016, the total sales volume generated from non-CRE institutional clients and traditional third party retail operation channels increased by 6,769 tonnes from 46,756 tonnes in the first half of 2015 to 53,525 tonnes in the first half of 2016, representing a year-on-year increase of 14%, mainly driven by the sales growth of our mineral water business segment. In respect of this mineral water business segment, the sales volume generated from such non-CRE clients increased significantly from 13,158 tonnes in the first half of 2015 to 22,390 tonnes in the first half of 2016, representing an increase of 70%.

OTHER NET GAINS

Other net gains mainly included government grants, gains on disposal of AFS and a fair value loss on the Bond. After considering the increase in gains on disposal of AFS of RMB5 million, the overall decrease in other net gains of RMB10 million was mainly attributable to the decrease in the overall government grants from RMB8 million in the first half of 2015 to RMB1 million in the first half of

2016, and the fair value loss of RMB8 million on the Bond incurred in the first half of 2016. This fair value loss represented the difference in fair values on the Bond between the subscription agreement date and the issuance date and was a one-off loss.

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 mainly calculated with reference to our fiscal contribution to the local economic development as a major tax payer and employer in Tibet.

In November 2014, the PRC government issued a notice requesting for a revisit of certain subsidy policies implemented by local governments. Accordingly, the Tibet local government revisited relevant subsidy policies and postponed the approval and payment of government grants to the Group. However, in May 2015, the PRC government issued another notice for resuming the government subsidy policies that have previously been implemented by local governments, and if those policies have prescribed periods, the government grant contracts signed by the local governments with enterprises should still be valid. Accordingly, the relevant approval and payment of government grants to the Group has resumed gradually and moderately since December 2015.

SHARE OF POST-TAX PROFITS OF ASSOCIATES

The share of post-tax profits of associates mainly included the share of post-tax profit of Highland Natural Water. In the first half of 2016, the Group's ownership of 33% equity interests in Highland Natural Water has generated a share of the post-tax profits of an associate in the amount of RMB13 million. The sales volume and revenue in respect of Highland Natural Water in the first half of 2016 were approximately 74,895 tonnes and RMB207 million, representing a significant increase of 52% and 43%, respectively, compared to the same period in 2015.

FINANCE NET INCOME

In the first half of 2016, finance net income included finance income of RMB8 million and finance costs of RMB8 million. This represents a slightly increase of RMB1 million in both finance income and finance costs, compared to those in the first half of 2015. Such an increase in finance income and finance costs were mainly attributable to the increase in interest income of RMB1 million and the increase of exchange loss of RMB1 million, respectively.

INCOME TAX CHARGE

The income tax charge of the Group increased by RMB3 million or approximately 19% from RMB18 million in the first half of 2015 to RMB21 million in the first half of 2016. The effective tax rate in the first half of 2016 and in the first half of 2015 was 10.4% and 9.7%, respectively.

PROFIT FOR THE HALF YEAR

Compared to the first half of 2015, the result in the first half of 2016 has improved with an increase in the gross profit of RMB15 million as a result of further optimization of our product and customer mix. The improved result was furthermore attributable to a decrease in selling and distribution expenses of RMB13 million which is mainly a result of the decrease in transportation expenses in the first half of 2016. Mainly due to the above mentioned, the net profit of the Group overall increased from RMB165 million in the first half of 2015 to RMB182 million in the first half of 2016, despite other net gains decreased by RMB10 million mainly resulting from a one-off fair value loss of RMB8 million on the Bond.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company increased by approximately RMB15 million, or 11%, from RMB141 million in the first half of 2015 to RMB157 million in the first half of 2016, which was in line with the increase in net profits, after deducting the non-controlling interest of RMB25 million in Tiandi Green Beverage Development Co., Ltd. ("Tiandi Green") during the relevant reporting period.

FINANCIAL POSITION

As at 30 June 2016, investment in associates of the Group amounted to RMB1,082 million, compared to RMB1,063 million as at 31 December 2015. In January 2016, the Group acquired 2% of the share capital of GT Express for a cash consideration of RMB6 million. GT Express is a company specialising in providing internet-based express services and is expected to be able to provide relevant express services for our products to further enhance the Group's strategic interest in GT Express. Further details of GT Express are set out in Note 9(a) to the condensed interim consolidated financial information of this announcement. The increase in investment in associates of RMB19 million was mainly attributable to such an investment and to the share of post-tax profits of associates of RMB13 million.

As at 30 June 2016, trade receivables of the Group amounted to RMB199 million compared to RMB205 million as at 31 December 2015. Among the trade receivables of RMB199 million, there was a decrease in the accumulated amount due from a customer of the Group from RMB154 million as at 31 December 2015 to RMB85 million as at 30 June 2016, of which included RMB72 million aged over 1 year but within 2 years, and RMB13 million aged within 1 year.

In view of the decrease in the trade receivables from such customer as a proportion of the total trade receivables of the Group, and taking into account the history of business dealings and the strategic business relationship with such customer, the Group considers that there is no objective evidence of an impairment loss to the trade receivable due from such customer. The Group also expects to receive further sums of moneys from such customer before the end of December 2016 as settlement of its trade receivables.

There has never been any write-off on the trade receivable due from such customer in the past. Moreover, the Group maintains regular contact with our major debtors through meetings and telephone conversations to understand the status of their operations, their continuing business needs and ways in which the Group can improve its services. During such meetings and conversations, the Group is not aware of any material circumstances indicating any problems in recovering its trade receivables from its major debtors. As a result, no trade receivable was impaired and provided for as at 30 June 2016.

As at 30 June 2016, prepayments (including current and non-current) of the Group increased to RMB45 million from RMB28 million as at 31 December 2015. The increase was mainly attributable to the increase in prepayments made for purchase of raw materials.

As at 30 June 2016, prepaid enterprise income tax of the Group decreased to RMB9 million from RMB11 million as at 31 December 2015. Comparing to 2015, the decrease was mainly attributable to the seasonal fluctuation in prepaid quarterly enterprise income tax.

As at 30 June 2016, other receivables and other assets (including current and non-current) of the Group amounted to RMB214 million compared to RMB88 million as at 31 December 2015. The amounts due from an associate increased by RMB30 million and the amounts due from third parties increased by RMB96 million, mainly leading to an overall increase in the total amount of other receivables and other assets.

As at 30 June 2016, the cash and cash equivalents of the Group amounted to RMB1,286 million compared to RMB628 million as at 31 December 2015. After deducting the impact of RMB120 million brought by the total net amount of cash advance and lendings granted to an associate and third parties and the payment of dividends of RMB88 million in the first half of 2016, the increase was mainly attributable to the net cash inflows of RMB188 million generated from operations, the net proceeds from bank borrowings of RMB226 million and the proceeds from issuing the Bond of RMB449 million.

As at 30 June 2016, the liability component of the Bond issued by the Group amounted to RMB436 million, and as at 31 December 2015, the Group did not have any liability components of the Bond. On 24 June 2016, the Group issued the Bond at a nominal value of HKD525 million (approximately RMB449 million) with an annual coupon rate of 6%. The Bond will mature on 24 June 2019 and can be converted into ordinary shares of the Company at the bond holder's option at a price of HKD3.5 per share. Further details of the Bond are set out in Note 15 to the condensed interim consolidate financial information of this announcement.

As at 30 June 2016, deferred revenue and advances received from customers (including current and non-current) of the Group amounted to RMB59 million compared to RMB67 million as at 31 December 2015. Deferred revenue increased by RMB1 million and advances received from customers decreased by RMB9 million, mainly leading to an overall decrease in the total amount of deferred revenue and advances received from customers.

As at 30 June 2016, deferred income tax liabilities of the Group amounted to RMB22 million compared to RMB38 million as at 31 December 2015. The decrease was mainly attributable to the crystallization of deferred income tax liabilities of RMB15 million as at 31 December 2015 in the first half of 2016.

As at 30 June 2016, trade payables of the Group amounted to RMB98 million compared to RMB73 million as at 31 December 2015. The increase was mainly attributable to the increase in the payables of RMB15 million for transportation costs incurred and of RMB9 million for raw materials purchased.

As at 30 June 2016, enterprise income tax payable of the Group was RMB29 million compared to RMB21 million as at 31 December 2015. After deducting the impact attributable to the seasonal fluctuation in settling quarterly enterprise income tax, the increase was mainly due to crystallization of deferred income tax liabilities of RMB15 million as at 31 December 2015 in the first half of 2016.

As at 30 June 2016 and as at 31 December 2015, bank borrowings of the Group amounted to RMB431 million and RMB200 million, respectively. Compared to 31 December 2015 and after considering the impact of repaying RMB55 million, the increase was mainly due to bank loans of RMB286 million borrowed in the first half of 2016.

The Group's net current assets and net assets as at 30 June 2016 were RMB1,175 million and RMB3,314 million, respectively, and net current assets and net assets as at 31 December 2015 were RMB622 million and RMB3,197 million, respectively. After considering the Group's payment of dividend of RMB88 million, the increase in net current assets was mainly attributable to the earnings of RMB182 million in the first half of 2016, and to the increase in both the liability component of RMB436 million and the equity component of RMB18 million related to the Bond. Regarding the increase in net assets, after considering the Group's payment of dividends of RMB88 million in the first half of 2016, the increase in net assets was mainly attributable to the earnings of RMB182 million in the first half of 2016 and to the equity component of RMB18 million related to the Bond.

EMPLOYEES

As at 30 June 2016, the total number of employees for the Group was approximately 420 compared to 504 as at 30 June 2015. Relevant staff cost was RMB32 million in the first half of 2016, compared to RMB34 million in the first half of 2015. 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 total "equity" plus borrowings which include "convertible bond-liability component" and "bank borrowings" as shown in the consolidated balance sheet. As at 30 June 2016 and 31 December 2015, the gearing ratio of the Group was 20.7% and 5.9%, respectively. Compared to 31 December 2015, the increase in gearing ratio was mainly due to the increase in borrowings of RMB667 million.

SHARE-BASED PAYMENTS

On 16 December 2015, the Company granted share options to China Distribution. Under the agreement, China Distribution has the right to purchase up to 25,200,000 ordinary shares of the Company at a price of HKD3.00 per share within 10 years from 1 January 2016, if certain performance conditions are met by China Distribution during the vesting period from 1 January 2016 to 31 December 2018. Further details of the grant of share options are set out in Note 22 to the condensed interim consolidated financial information of this announcement.

MERGER AND ACQUISITION

After the Group acquired 20% equity interest in Highland Natural Water on 5 November 2014, the Group acquired an additional 13% equity interests in Highland Natural Water with cash consideration of RMB390 million on 29 January 2015. Together with the 20% equity interest acquired in November 2014, the Group owned 33% equity shares of Highland Natural Water after that additional acquisition. Please refer to the Company's announcement dated 29 January 2015 for further details.

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

Besides, in January 2016, the Group acquired 2% of the share capital of GT Express for a cash consideration of RMB6 million. Further details of GT Express are set out in Note 9 (a) to the condensed interim consolidated financial information of this announcement.

SIGNIFICANT INVESTMENTS

In the first half of 2016, the Group acquired property, plant and equipment of approximately RMB6 million (in the first half of 2015: approximately RMB31 million). Regarding the future development and outlook of the Group, please refer to the section headed "Outlook" in this "Management Discussion & Analysis" section.

CAPITAL COMMITMENTS

As at 30 June 2016, the Group committed into equity investments in various companies in the PRC amounting to RMB85 million. As at 31 December 2015, the Group did not have any material capital commitments.

CHARGES

As at 30 June 2016, a bank loan of RMB66 million of the Group was secured by its factory plant and land use right with net book value of RMB43 million, and the Bond was secured by the entire issued shares of Wealth Keeper Limited, a wholly owned subsidiary of the Group. As at 31 December 2015, the Group did not have any asset charges.

CONTINGENT LIABILITIES

The Group provided a financial guarantee to an associate amounting to RMB260 million as at 30 June 2016 (31 December 2015: RMB260 million). The guarantee was provided for a bank borrowing of the associate with a principal amount of RMB240 million; the period of guarantee is from 20 July 2015 to 20 July 2017.

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 on 30 June 2011, a valuation was conducted on the property interests held by the Group. However, those property interests were still carried at historical costs less accumulated depreciation and impairment, if any, on the Group's financial statements.

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

PRODUCTION CAPACITY

The expected annual water production capacity and annual beer production capacity for the year ending 31 December 2016 are approximately 298,000 tonnes and 200,000 tonnes, respectively (for the year ended 31 December 2015: approximately 238,000 tonnes and 200,000 tonnes, respectively), which are considered to be sufficient for fulfilling the relevant production demand in the short to medium term.

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 has been partially utilized in the following manner:

	Revised usage of net proceeds *HKD'Million*	As at 30 June 2016 Utilized net proceeds *HKD'Million*	As at 30 June 2016 Unutilized net proceeds *HKD'Million*
Expand our production capacity by constructing additional facilities and purchasing additional production equipment	133	61	72
Expand our distribution network and toward promotional activities	206	20	186
Mergers and acquisitions that complement our existing business	1,092	1,092	–
Working capital and other general corporate purpose	41	41	–
	1,472	1,214	258

Up to 30 June 2016, the Group has utilized net proceeds amounting to HKD61 million, HKD20 million, HKD1,092 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.

INTERIM DIVIDENDS

The Board did not recommend a payment of an interim dividend for the six months ended 30 June 2016 (for the six months ended 30 June 2015: nil).

OUTLOOK

Along with the development of the Group in more than 10 years, consumer awareness and recognition of the "Tibet Water Trend" have been ever-increasing.

In the second half of 2016, the Group will continue to maintain close cooperation with its distributors and continue to devote more resources to develop our third party retail sales network, which has shown strong growth in the first half of 2016, 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 our products.

The Group will continue to expand its distribution network both by exploring new markets and by increasing the number of distributors as mentioned above, and keep on developing powerful strategic partnerships aiming for reaching a win-win situation and significantly strengthening the business of the Group.

In the first half of 2016, we entered into a strategic cooperation agreement with Hainan Airlines. In the future by cooperating with other potential strategic partners, our products will penetrate into more airlines and serve for more targeted customers.

Moreover, the Group will continue to develop new products by exploiting the Tibet sourcing opportunities.

In 2015, the Group launched its premium version of 5100 Glacial Water named as "Diamond Series" product, with potential for export. In line with this strategy, in addition to the mainland China market, this Diamond Series product has been exported to the Hong Kong market since 2016, and will gradually be exported to other overseas markets.

For further strengthening our product portfolio and targeting a larger consumer group, the Group has also in 2016 launched a medium priced bottled mineral water products under the brand of "Gesang Spring". The cooperations with strategic partners, such as PetroChina and "Zhong Shang Huimin" have assisted the Group to further develop the retailing market for the products. Besides, in the first half of 2016, the Group reached a new cooperation agreement with CRE, and CRE will distribute our "Gesang spring" products. This cooperation signified a new round of cooperation with CRE.

With the growing potential in the home and office user markets, the Group has explored possible channels to develop community customers and barrelled water products has been launched for such market segments starting from the second half of 2015. In the first half of 2016, the Group and a top ten real estate developer Country Garden reached a cooperation agreement for working together to provide our quality products to its hotels, schools and residential communities. More community customers are expected to be developed in the future by basing on this cooperation model.

The above mentioned initiatives will be further expanded and supported by an adequate level of sales and markets activities in the second half of 2016.

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

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

The Group continues to expect strong competition and a challenging economic environment, but will nonetheless adhere to its objective to produce, supply and further grow its premium mineral water products and highland barley beer products in China and in potential overseas markets with strong focus on the Tibet sourcing.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2016, the Company has complied with the code provisions as set out in the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and each of the Directors have confirmed that they have complied with the Model Code for the six months ended 30 June 2016. 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 2016.

The Company's external auditor, PricewaterhouseCoopers, has performed a review of the Group's interim financial information for the six months ended 30 June 2016 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 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

ESTABLISHMENT OF RISK MANAGEMENT COMMITTEE

The Board had resolved to establish a risk management committee (the "Risk Management Committee") and adopted its written terms of reference on 31 August 2016. The primary functions of the Risk Management Committee are to review and assess the effectiveness of the Company's risk management systems and proposed changes thereto, to identify, measure, manage and/or control risks. The Risk Management Committee comprises three members which include Mr. FU Lin, Mr. LIU Chen (both are executive Directors) and Mr. Kevin Cheng WEI (independent non-executive Director). Mr. FU Lin has been appointed as the chairman of the Risk Management Committee.

The terms of reference of the Risk Management Committee will be uploaded on the websites of the Company (http://www.twr1115.net) and the Stock Exchange (http://www.hkexnews.hk).

PUBLICATION OF INTERIM REPORT

Pursuant to the requirements of the Listing Rules regarding the reporting period, the 2016 interim report of the Company will set out all information disclosed in the interim results announcement for the six months ended 30 June 2016 and will be despatched to the shareholders and uploaded on the websites of the Company (http://www.twr1115.net) and the Stock Exchange (http://www.hkexnews.hk) in due course.

By order of the Board
Tibet Water Resources Ltd.
Jesper Bjoern MADSEN
Chairman and Independent Non-executive Director

Hong Kong, 31 August 2016

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