



# 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

## GLOBAL OFFERING



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## IMPORTANT

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IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



# 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)

## GLOBAL OFFERING

**Number of Offer Shares under the Global Offering : 459,290,000 Shares (subject to the Over-allotment Option)**

**Number of International Placing Shares : 413,360,000 Shares (subject to adjustment and the Over-allotment Option)**

**Number of Hong Kong Offer Shares : 45,930,000 Shares (subject to adjustment)**

**Maximum Offer Price : HK\$3.50 per Offer Share payable in full on application and subject to refund on final pricing, plus brokerage of 1%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%**

**Nominal value : HK\$0.01 per Share**

**Stock code : 1115**

*Joint Global Coordinators*

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

A copy of this prospectus, having attached thereto the documents specified in Appendix VII — “Documents Delivered to the Registrar of Companies and Available for Inspection”, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

See “Risk Factors” for a discussion of certain risks that you should consider in connection with an investment in the Shares.

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (on behalf of the Underwriters) and us on the Price Determination Date which is expected to be on or before June 23, 2011 and, in any event, not later than June 27, 2011. The Offer Price will not be more than HK\$3.50 and is currently expected not to be less than HK\$2.62 per Offer Share. If, for any reason, the Offer Price is not agreed by June 27, 2011 between the Joint Bookrunners (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

The Joint Bookrunners (on behalf of the Underwriters) may reduce the indicative Offer Price range and/or the number of Hong Kong Offer Shares stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In the case of such reduction, notice of the reduction in the indicative Offer Price range and/or the number of Hong Kong Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and will be posted on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and to the website of our Company ([www.5100.net](http://www.5100.net)) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer. Further details are set out in the sections headed “Structure and Conditions of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus.

Prospective investors of the Offer Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by notice in writing to our Company given by the Joint Bookrunners (on behalf of the Underwriters), upon the occurrence of any of the events set forth in the section headed “Underwriting — Grounds for Termination” in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the day trading in our Shares commences on the Hong Kong Stock Exchange.

The Offer Shares have not been and will not be registered under the Securities Act and may only be offered, sold, pledged or transferred outside the United States in accordance with Rule 903 or Rule 904 of Regulation S.

June 20, 2011

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## EXPECTED TIMETABLE<sup>(1)</sup>

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Application lists open <sup>(2)</sup> . . . . .	11:45 a.m. on June 23, 2011
Latest time for lodging <b>WHITE</b> and <b>YELLOW</b> Application Forms . . . . .	12:00 noon on June 23, 2011
Latest time to complete electronic applications under <b>White Form eIPO</b> service through the designated website <a href="http://www.eipo.com.hk">www.eipo.com.hk</a> <sup>(3)</sup> . . . . .	11.30 a.m. on June 23, 2011
Latest time to complete payment of <b>White Form eIPO</b> applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . .	12:00 noon on June 23, 2011
Latest time to give <b>electronic application instructions</b> to HKSCC <sup>(4)</sup> . . . . .	12:00 noon on June 23, 2011
Application lists close <sup>(2)</sup> . . . . .	12:00 noon on June 23, 2011
Expected Price Determination Date <sup>(5)</sup> . . . . .	June 23, 2011
Announcement of - the Offer Price; - the level of applications in the Hong Kong Public Offer; - the level of indications of interest in the International Placing; and - the basis of allotment of the Hong Kong Offer Shares to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on or before . . . . .	June 29, 2011
Results of allocations in the Hong Kong Public Offer (with successful applicants' identification document numbers or Hong Kong business registration numbers, where appropriate) to be available through a variety of channels, including the websites of the Hong Kong Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> and our Company at <a href="http://www.5100.net">www.5100.net</a> (see paragraph headed " <b>Results of Allocations</b> " in the section headed "How to Apply for Hong Kong Offer Shares") from . . . . .	June 29, 2011
Results of allocations in the Hong Kong Public Offer will be available at <a href="http://www.iporesults.com.hk">www.iporesults.com.hk</a> with a "search by ID" function . . . . .	June 29, 2011
Dispatch of Share certificates or deposit of the Share certificates into CCASS on or before <sup>(6)</sup> . . . . .	June 29, 2011
Dispatch of White Form e-Refund payment instructions/refund cheques on or before <sup>(6)</sup> . . . . .	June 29, 2011
Dealings in the Shares on the Main Board to commence on . . . . .	June 30, 2011

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1. All times and dates refer to Hong Kong local time and dates except otherwise stated. Details of the structure of the Global Offering, including its conditions, are set forth in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

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## EXPECTED TIMETABLE<sup>(1)</sup>

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2. If there is a “**black**” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on June 23, 2011, the application lists will not open or close on that day. Further information is set forth in the section headed “How to Apply for Hong Kong Offer Shares — Effect of bad weather conditions on the opening of the application lists” in this prospectus.
3. You will not be permitted to submit your application through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
4. Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Hong Kong Offer Shares — How to apply by giving **electronic application instructions** to HKSCC” in this prospectus.
5. The Price Determination Date is expected to be on or around June 23, 2011 (Hong Kong time) and, in any event, not later than June 27, 2011 (Hong Kong time). If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (on behalf of the Hong Kong Underwriters) and our Company by June 27, 2011, the Global Offering will not proceed and will lapse.
6. e-Refund payment instructions/refund cheques will be issued in respect of wholly successful applications if the final Offer Price is less than the Offer Price payable on application and wholly or partially unsuccessful applications. Applicants who apply on **WHITE** Application Forms for 1,000,000 Hong Kong Offer Shares or more and have indicated in the **WHITE** Application Forms that they wish to collect any refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) in person and have provided all information required by their Application Form, may collect their Share certificates and/or refund cheques (where applicable) in person from the Hong Kong Share Registrar between 9:00 a.m. and 1:00 p.m. on June 29, 2011 or on the date notified by our Company as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques. In order to do so, the applicant must complete the appropriate box on the **WHITE** Application Form. Applicants being individuals who opt for collection in person must not authorize any other person to make their collection on their behalf. Applicants being corporations that opt for collection in person must attend by their authorized representatives bearing letters of authorization from their corporations stamped with the corporation’s chop. Both individuals and authorized representatives, as the case may be, must produce at the time of collection evidence of identity acceptable to the Hong Kong Share Registrar. If an applicant has opted for collection in person but does not collect the Share certificate and/or refund cheque (where applicable) by 1:00 p.m. on June 29, 2011, the Share certificate and/or refund cheque (where applicable) will be sent to the address as it appeared on the relevant Application Form in the afternoon on the date of dispatch by ordinary post at the applicant’s own risk.

Applicants who apply through the **White Form eIPO** service by paying the application monies through a single bank account, may have e-Refund payment instructions (if any) dispatched to the application payment account. Applicants who apply through the **White Form eIPO** service by paying the application monies through multiple bank accounts, may have refund cheque(s) sent to the address specified in their application instructions to the designated **White Form eIPO** Service Provider by ordinary post and at their own risk.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more and have indicated in the **YELLOW** Application Forms that they wish to collect any refund cheque(s) (where applicable) in person and have provided all information required by their Application Form, may collect their refund cheques (where applicable) in person from the Hong Kong Share Registrar between 9:00 a.m. and 1:00 p.m. on June 29, 2011 or on the date notified by the Company as the date of dispatch/collection of e-Refund payment instructions/refund cheques. In order to do so, the applicant must complete the appropriate box on the **YELLOW** Application Form. The procedure for collection of the refund cheque (where applicable) is the same as that for **WHITE** Application Form applicant. Share certificate for successful applicant using **YELLOW** Application Form will be deposited into CCASS for credit to the applicant’s investor participant stock account or the stock account of the applicant’s designated CCASS Participant. Detailed arrangements are set forth in the section headed “How to Apply for Hong Kong Offer Shares — Dispatch/collection of Share certificates and refund monies” in this prospectus.

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## EXPECTED TIMETABLE<sup>(1)</sup>

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Applicants who apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated **White Form eIPO** Service Provider through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) and whose applications are wholly or partially successful, may collect Share certificate(s) in person from our Hong Kong Share Registrar, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, June 29, 2011 or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

Share certificates will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither of the Hong Kong Underwriting Agreement nor the International Underwriting Agreement has been terminated in accordance with its terms prior to 8:00 a.m. on the Listing Date, which is expected to be on or around Thursday, June 30, 2011. Investors who trade Shares on the basis of publicly available allocation details prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

For Applicants who apply for less than 1,000,000 Hong Kong Offer Shares or apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on their Application Forms that they will collect their Share certificate and/or refund cheques (where applicable) in person, their Share certificate and/or refund cheque (where applicable) will be sent to the address as it appeared on the relevant Application Form on the date of dispatch by ordinary post at the applicant's own risk.

Our Company will not issue any temporary documents of title in respect of the Offer Shares. Share certificates will become valid certificates of title only if the Global Offering has become unconditional and the Underwriting Agreements have not been terminated in accordance with their respective terms, which is expected to be not later than 8:00 a.m. (Hong Kong time) on June 30, 2011.

**Prospective investors of the Offer Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by notice in writing to our Company given by the Joint Bookrunners (on behalf of the Underwriters), upon the occurrence of any of the events set forth in the section headed "Underwriting — Grounds for Termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the day trading in our Shares commences on the Hong Kong Stock Exchange.**

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## CONTENTS

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**You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information not given or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, and the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers or representatives, or any other person or party involved in the Global Offering.**

	<b>Page</b>
<b>Expected Timetable</b> .....	i
<b>Contents</b> .....	iv
<b>Summary</b> .....	1
<b>Definitions</b> .....	23
<b>Forward-Looking Statements</b> .....	38
<b>Risk Factors</b> .....	40
<b>Information about this Prospectus and the Global Offering</b> .....	63
<b>Directors and Parties Involved in the Global Offering</b> .....	67
<b>Corporate Information</b> .....	74
<b>Regulatory Overview</b> .....	76
<b>Industry Overview</b> .....	94
<b>History and Corporate Structure</b> .....	113
<b>Our Business</b> .....	137
<b>Relationship with Controlling Shareholders</b> .....	176
<b>Connected Transactions</b> .....	181
<b>Directors and Senior Management</b> .....	184
<b>Substantial Shareholders</b> .....	192
<b>Cornerstone Investors</b> .....	194
<b>Share Capital</b> .....	197
<b>Financial Information</b> .....	199
<b>Future Plans and Use of Proceeds</b> .....	239
<b>Underwriting</b> .....	241

---

## CONTENTS

---

		<b>Page</b>
<b>Structure and Conditions of the Global Offering</b>	.....	251
<b>How to Apply for Hong Kong Offer Shares</b>	.....	259
<b>Appendix I</b>	<b>— Accountant’s Report</b> .....	I-1
<b>Appendix II</b>	<b>— Unaudited Pro Forma Financial Information</b> .....	II-1
<b>Appendix III</b>	<b>— Profit Forecast</b> .....	III-1
<b>Appendix IV</b>	<b>— Property Valuation Report</b> .....	IV-1
<b>Appendix V</b>	<b>— Summary of Constitution of the Company and Cayman Islands Company Law</b> .....	V-1
<b>Appendix VI</b>	<b>— Statutory and General Information</b> .....	VI-1
<b>Appendix VII</b>	<b>— Documents Delivered to the Registrar of Companies and Available for Inspection</b> .....	VII-1

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## SUMMARY

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**This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in our Shares.**

**Certain industry information, including our market share data, is extracted from a commissioned report prepared by Euromonitor International for purposes of this prospectus. For more information, see “Industry Overview”. In addition, certain information relating to our water source and water quality is extracted from a commissioned report prepared by ALECTIA, which we refer to as the ALECTIA Report. ALECTIA is a leading consulting company based in Denmark.**

**There are risks associated with any investment. Some of the particular risks in investing in our Shares are set forth in the section entitled “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in our Shares.**

### OVERVIEW

We produce a leading brand in the fast-growing premium bottled mineral water market in China. We established our leading market position by executing a growth strategy that focuses on penetrating institutional sales channels, an approach which distinguishes us from our competitors. Our targeted institutional purchasers consist of rail transport operators, commercial banks, airlines, government organizations and other major corporations in China which frequently have a large base of middle to high income customers and significant bulk purchase demand for our product. We have established a long-term strategic relationship with CRE. In addition, we have entered into sales agreements with Air China, BP-PetroChina JV and China Post, and strategic cooperative agreements with CCBI and ICBCI Holdings. According to Euromonitor, in 2010, retail sales volume and revenue of premium bottled mineral water represented 7.9% and 45.3%, respectively, of the overall bottled mineral water market in China, and our brand, “5100 Tibet Glacier Spring Water”, or “5100”, ranked first in terms of sales volume in the premium market segment in 2010, with a market share of 28.5% in China.<sup>(1)</sup> The Group’s sales volume in 2010 represented a market share of 2.2% in the overall bottled mineral water market in China. Such sales volume in 2010 includes volume sold to CRE under a buy-one-get-one-free arrangement entered into in 2008. Under this buy-one-get-one-free arrangement, CRE accounted for approximately 90.9%, 89.7% and 89.5% of our sales volume in 2008, 2009 and 2010, respectively. This sales volume to CRE represented a market share of 1.1%, 1.7% and 2.0% in the overall bottled mineral water in China in 2008, 2009 and 2010, respectively. We believe our success in executing this strategy has helped us to rapidly gain market share, brand recognition and secure numerous blue-chip institutional purchasers under long-term contracts. We believe that a combination of our current leading market position, established brand, strong existing institutional relationships and ability to develop additional institutional relationships positions us well to capitalize on the fast-growing premium bottled mineral water market in China.

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(1) As defined by Euromonitor, premium bottled mineral water is characterized by a premium brand image and generally has a retail price of not less than RMB5 per 500 ml bottle.



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## SUMMARY

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We have positioned our “5100” brand as a premium brand by emphasizing the uniqueness and purity of our glacial spring mineral water, which is sourced from a unique glacial spring at 5,100 meters above sea level. Our product contains only glacial spring mineral water collected and bottled in close proximity to the water source at the Nianqing Donggula Mountains in Tibet, one of the world’s most remote and pristine locations, which is deep inside the mountain range without easily accessible transportation. In addition, our water source is a natural spring, where water comes to the surface from deep underground. These factors provide our water source with natural protection against contamination and man-made pollution. The mineral and microelement content of our product meets both the PRC New National Standard and European Union standards for natural mineral water and our production process is designed to preserve the natural qualities of our water source. Since 2007, our water source was the only water source in Tibet that was recognized by the Natural Spring Mineral Water Committee of China Mining Confederation as one of “China’s High Quality Mineral Water Sources”. We adhere to a strict quality control system in every stage of our operation process, from the sourcing of the water to processing, packaging, transportation and storage, with a view to ensuring the highest quality standards. In 2007, our “5100” brand won the Brand China Gold Spectrum Award in the China Brand Festival.

Premium bottled mineral water is consumed primarily by middle to high income consumers and institutional purchasers such as corporations and government organizations in China. To rapidly penetrate the premium market segment, we have developed a growth strategy that focuses on sales to targeted institutional purchasers. In 2007, we established a strategic relationship with CRE, which is controlled by the MOR and acts as its procurement agent. Our relationship with CRE has enabled us to become the supplier of bottled water to approximately 200 million passengers on high-speed and CRH trains in China from its commencement of operations in 2007 to December 31, 2010. This relationship has also enabled us to distribute our product throughout the MOR’s distribution network, comprising retail outlets and restaurants in 131 train stations and 115 mid- to high-end hotels across China operated by the MOR and its affiliates, and on board trains that make approximately 2,800 train trips per day, as of December 31, 2010. In December 2010, we extended our contract with CRE for an additional three years to supply a specified volume of water at a fixed price per bottle each year. Our relationship with CRE provides us with a secure and fast-growing source of revenue, and has helped us gain brand recognition and market leadership in a relatively short period of time.

Building on the experience of our highly successful relationship with CRE, we have entered into sales agreements with Air China, BP-PetroChina JV and China Post, and strategic cooperative agreements with CCBI and ICBCI Holdings. Like CRE, these institutional purchasers have significant bulk purchase demand for premium bottled water products for distribution to their customers. For example, Air China provides our product to their passengers as part of their in-flight service; and BP-PetroChina JV and the other institutional purchasers provide our product as gifts to customers under loyalty programs and also distribute our product through their extensive distribution networks. We have also developed a water card that allows its holder to redeem and receive direct delivery of our premium water throughout China. Our water card has enabled us to access the distribution networks of certain institutional purchasers, such as banks and post offices, that are not traditional distributors of consumer products. We also sell directly to government organizations and have supplied to high profile government conferences and events, which has further enhanced our brand image and recognition. For instance, we were the official supplier of bottled water to the ceremony

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## SUMMARY

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celebrating the 60th anniversary of the founding of the People's Republic of China in 2009 and to the meetings of the NPC since 2007 and the CPPCC since 2008. The further development of institutional sales channels through establishing additional strategic relationships will continue to be our primary growth strategy in the foreseeable future.

In addition to institutional sales channels, we are also actively developing traditional retail distribution channels which are owned by third parties. We have rapidly developed retail distribution networks to include a wide range of retail outlets, including hotels, bars and restaurants, supermarkets and convenience stores. As of December 31, 2010, we had a total of 2,875 points of sale for our product, excluding the points of sale within the MOR network. Our product is available at higher-end supermarket chains in China such as Walmart, Carrefour, Metro and Auchan, four and five star hotels, including Shangri-la Hotels, and convenience store chains such as Lawson and Watsons. The continued development of our traditional retail sales channels will also be an important aspect of our growth strategy.

We have established an efficient logistics network to facilitate the nationwide delivery of our product and the transportation of raw materials to our production sites in a timely manner. As part of our strategic relationship with CRE, which is the largest land-based logistics services provider in terms of network coverage in China, we have entered into arrangements to provide us with integrated logistics solutions, including dedicated rail transportation capacity and storage centers that cover our four major sales regions. We have also established logistics arrangements with FedEx and China Post to achieve integrated and comprehensive delivery coverage across China. Consumers who buy our bottled water in the form of water cards redeemable for delivery can have our bottled water delivered to them throughout China, which is a convenient service that sets us apart from our competitors. Our relationship with CRE and access to its logistics network, coupled with our relationships with FedEx and China Post, has allowed us to further develop a new sales channel of home delivery, which is a convenient service that distinguishes us from our competitors.

The PRC central government has in recent years implemented a series of policies to encourage investment in western China and Tibet. In addition, as a major enterprise based in Tibet and employer of ethnic Tibetans, we have gained strong support from the local government in various aspects, including preferential tax treatments and government grants. We expect to continue to benefit from such preferential policies and government support in the future.

Premium bottled glacial spring water is currently our only product, and we rely heavily on the product's brand name and our reputation to generate sales. We have grown rapidly since our inception. In 2008, 2009 and 2010, we sold 34,417, 60,683 and 81,576 tonnes of bottled water. Our revenue has also increased significantly from RMB119.5 million in 2008 to RMB215.8 million in 2009 and to RMB360.5 million in 2010. We generated profit of RMB11.9 million, RMB47.4 million and RMB115.2 million in 2008, 2009 and 2010, respectively, and our operating margin increased from 15.1% in 2008 to 25.4% in 2009 and to 37.4% in 2010.

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## SUMMARY

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### OUR COMPETITIVE STRENGTHS

We believe the following strengths provide us with significant competitive advantages and position us well to capitalize on the fast-growing premium bottled mineral water market in China:

- established market leadership and brand recognition;
- strong relationships with major corporations and government institutions;
- exclusive access to a unique glacial spring mineral water source;
- efficient, integrated and comprehensive nationwide logistics network;
- comprehensive water source protection and world-class production facilities; and
- experienced management team with proven track record.

### OUR STRATEGIES

We intend to further strengthen our position as the leading brand of premium bottled mineral water in China and to become a leading global brand of premium bottled water by implementing the following strategies:

- develop additional strategic relationships with targeted institutional purchasers;
- expand our retail distribution network;
- further enhance our brand recognition; and
- secure additional water sources and explore synergistic business opportunities.

### WATER SOURCE

According to ALECTIA, an Independent Third Party company specializing in providing consultancy services to a series of specialized competence, the maximum extractable volume of spring water from our spring heads is approximately 1.1 million tonnes per annum, which is sufficient to support our future production increase as we only extracted 34,434 tonnes, 63,867 tonnes and 81,431 tonnes in 2008, 2009 and 2010, respectively. Under our mining license, we are entitled to extract a maximum of 500,000 tonnes of mineral water per year. Nevertheless, we do not foresee any difficulty in raising the granted maximum by submitting an application to the government authorities anytime during the validity of the mining license.

ALECTIA, with a documented quality assurance system which meets ISO 9001 relevant to quality management systems as well as DS/EN ISO 14001/4 relevant to environment management systems, has carried out numerous evaluation and survey projects in connection with water source around the world. Specifically, the water supply project in the mountainous regions of Greenland is

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## SUMMARY

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fairly comparable to the evaluation project in Tibet. ALECTIA has conducted field work from October 10 to October 17, 2010 at the site of our water source and production facilities, and carried out studies including measuring pH, temperature and oxygen level of the spring. ALECTIA also examined our transmission pipeline and water treatment facility. In connection with the estimate of maximum extractable volume, ALECTIA, without conducting an actual measurement but relying on (i) the Survey Report issued by the Geology and Resource Survey and Exploration Bureau of Tibet in 2002, which conducted tests using the triangular weir method and rectangular weir method to measure the water flow; (ii) the feasibility study by the Chengdu Engineer Design Institute in 2004, which conducted a survey based on the decay equation of water flow, i.e., the minimum flow volume is calculated by the Boussinesq equation in order to determine the extractable volume; (iii) the Supplemental Survey Report issued by the Water Geology Environment Research Institute of the National Geology Academy of China in 2006, which reiterated the survey results made in 2002 based on the dynamic observations conducted from May 2005 to May 2006; and (iv) the Volume Survey Report issued by the Beijing Institute of Geological Engineering in June 2011, which conducted test using the triangular weir method to measure the water flow. It is a common practice in various scientific fields to rely on the findings of other Independent Third Parties' reports. For example, in cases where the water is extracted from cracks and wells in the rock bed in mountainous areas, the volume must be estimated and calculated based on long term flow measurement, and in such cases ALECTIA always looks for previous investigations. It is particularly appropriate when the maximum extractable volume of the our water source has been measured by four independent authorities with consistent results. In particular, flow measurements were conducted through triangular weir method during these independent authorities' evaluation of the our water source. According to ALECTIA, flow measurement through triangular weir method is the most accurate and reliable method for estimation of water flow from wells in mountainous areas in the regions such as Europe and China, and the margin of error for the estimates reached by a weir method is within 2-4%, which will not affect the results of maximum extractable volume, i.e., 1.1 million tonnes per annum. ALECTIA also relied on various other surveys and research articles on the general behavior of the geothermal water in the region, as well as its overall expertise and knowledge on the behavior of water to arrive at the conclusion of the maximum extractable volume of our water resource. As a result of the foregoing, ALECTIA finds the estimated maximum extractable volume of our water source accurate and reliable.

In addition, ALECTIA based its conclusion on the fact that the water has been consistently flowing with an adequate quantity since the analysis was performed in 2004. Factors affecting the actual extraction volume of the water in the future include climate change, which would likely increase precipitation while rising temperatures would melt more ice and increase the amount of extractable mineral water. Factors also include landslides and other natural hazards that could block the water flow or destroy the water pipe. However, the effect is also short-term as the water will always find a new way and a new pipe can be installed. The daily extractable volume of our springs has remained stable in 2008, 2009 and 2010.

According to ALECTIA, in 2004, the Department of Land and Resources of Tibet issued "*The Appraisal of Natural Spring Mineral Water of Qumanong, Dangxiong County of Tibet*," according to which our spring water belongs to compound-type mineral water and that the level of lithium, strontium and meta-silicic acid content in the water exceeded the minimum requirement under GB/T8537-2008 (飲用天然礦泉水標準), or the New National Standards for Mineral Water. According to the tests performed by ALECTIA, our mineral water meets or surpasses the PRC New National

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## SUMMARY

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Standard and the European Union standards for mineral and microbial content of mineral water. In 2007, the state natural mineral water technology evaluation team, comprising of researchers and professors from various agencies of the Ministry of Land and Resource, the Ministry of Health, the National Quality Inspection and Monitor Bureau, China Mining Federation, China Institute of Geo-Environment Monitoring, China National Research Institute of Food and Fermentation Industries and Center of Disease Control and Prevention of Beijing, evaluated the water quality based on *the Survey Report* and *the Supplemental Survey Report* and reached the same conclusions. Since 2007, our water source was recognized by the Natural Spring Mineral Water Committee of China Mining Confederation among the first batch of the tested water sources as one of “China’s High Quality Mineral Water Sources”.

We have obtained the necessary mining licenses and land use rights for our water source through a request-for-proposal process as part of the local government’s scheme to attract investment. Under the request-for-proposal process, the local government announces different projects in need of development in the region, such as construction or natural resources projects. Companies interested in undertaking these projects need to submit a proposal to the government authorities for selection and approval. After reviewing our application, the local government in Tibet approved our proposal and introduced us to the relevant authorities in order to obtain the required licenses, including the exploration license and the mining license.

We acquired the exploration rights for our water source from the Geology Team, the original owner of the exploration rights, pursuant to the Cooperation Agreement entered into among the Group, the Geology Team and Tibet Galaxy on January 23, 2006 and obtained the relevant exploration license on April 29, 2006. Based on the exploration license, we held the exploration rights with the term from April 29, 2006 to April 28, 2007. Under the Cooperation Agreement, the Geology Team has neither the unilateral right to terminate the Cooperation Agreement, nor the right to recall the exploration rights as such rights had been registered under our name. Under the Cooperation Agreement, we agreed to pay the purchase consideration in various instalments during the course of our cooperation with the Geology Team. It is also stated in the Cooperation Agreement that Tibet Zhongji would need to settle all outstanding purchase consideration if Tibet Zhongji decides to sell the exploration rights to any party other than Tibet Galaxy. In 2008, 2009 and 2010, the consideration for the exploration rights paid by us to the Geology Team amounted to RMB0.3 million, RMB0.3 million and RMB0.5 million, respectively. According to the Cooperation Agreement, we shall pay the outstanding part of the purchase consideration to the Geology Team, which amounts to RMB0.5 million per year from the year 2011 until the cooperation is completed. The completion date is indefinite under the Cooperation Agreement and the Cooperation Agreement remains effective at present. Separately, the Group was required by PRC law to pay a usage fee for the exploration rights. This usage fee is not a payment under the Cooperation Agreement. We are required to pay usage fee as and when we hold exploration license. According to the exploration license previously held by the Group, the exploration area for the mineral water resource was 11.64 square kilometres. We paid an amount of RMB3,480 as usage fee for the exploration rights for the year of 2006.

We obtained the mining license issued by Tibet Autonomous Region Department of Land and Resources for our water source on August 21, 2006. Our exploration rights were deregistered when we acquired the mining license and as such we do not need to pay any more usage fees for the exploration rights. However, we are required to pay a usage fee for the mining rights from then on. We

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## SUMMARY

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successfully renewed our mining license in 2010. Based on the mining license, we secured mining rights of the springs that are renewable after the expiration of the five-year valid period of our current mining license which will expire in August 2015. Our mining license allow us to produce a maximum of 500,000 tonnes of water per year. We produced 34,434 tonnes, 63,867 tonnes and 81,431 tonnes of spring water in 2008, 2009 and 2010, respectively. PRC law requires the payment of a usage fee for the mining rights. According to the mining license held by us, the mining area of the mineral water resource is 9.3583 square kilometres. We paid RMB28,500 and RMB57,000, in 2006 and 2010, respectively, as the usage fee for the mining rights from 2006 to 2015 (RMB9,500 per year, and RMB85,500 for nine years in total). Under PRC law, the government has the authority to terminate a mining license if the licensee fails to comply with relevant requirements during the term of validity. Our mining license can be successfully renewed for an additional five years so long as we (i) pay all resource taxes and mining rights fees; (ii) submit a renewal application required by the authorities; and (iii) satisfy the applicable legal and regulatory requirements.

Our mining license will expire in August 2015. Our PRC counsel has advised us that, based on relevant laws and regulations, the government has the authority to terminate a mining license if the licensee fails to comply with relevant requirements during the term of validity, including (i) the licensee fails to pay usage fees or other fees and taxes in relation to the mining rights within the required period; or (ii) the licensee fails to comply with relevant laws and regulations in its mining activities, such as conducting the mining activities in a destructive manner. The general conditions for us to renew the mining licenses upon expiration require that (i) we have paid up all payable resource taxes, mining rights usage fees and mineral resources compensation fees, (ii) we have submitted all renewal application materials required by the authorities and (iii) we have satisfied the legal and regulatory requirements applicable at that time. Our PRC counsel has also advised that, (i) based on the Confirmation Letter issued by the Land and Resources Bureau of Lhasa on December 20, 2010 with respect to the payment of relevant fees for the mineral water resource, relevant confirmation letters issued by local taxation bureaus and its examination of relevant documents provided by the Company, as of 2010, the Group has paid up all payable resource taxes, mining rights usage fees and mineral resources compensation fees; and (ii) based on the Confirmation Letter on the Status of Qumaduo Mineral Water issued by Department of Land and Resources of Tibet Autonomous Region on December 15, 2010, the exploration and mining activities of Tibet Zhongji complied with relevant laws and regulations, Tibet Zhongji has passed the annual inspections for the mining rights, has not violated any applicable laws and regulations since it first obtained the mining right in 2006, and Tibet Zhongji can renew the mining license for an additional five years so long as it submits the application for renewal to the Land and Resources Department of Tibet Autonomous Region in accordance with PRC law before the license expiries. Our PRC counsel has further advised that so long as we continue to pay relevant resource taxes, mining rights usage fees and mineral resources compensation fees and comply with PRC law, there shall be no material legal impediment for us to renew the mining license. We successfully renewed our mining license in 2010. Notwithstanding the above, there can be no assurance that we will be able to renew our mining rights certificates for our water source upon expiration in the future. For further details, please see the section headed “Risk Factors — Risks Relating to Our Business — We rely on various licenses and permits to operate our business, and the failure to renew any or all of these licenses and permits could materially adversely affect our business”.

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## SUMMARY

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Based on the Confirmation Letter on the Status of Qumaduo Mineral Water issued by Department of Land and Resources of Tibet Autonomous Region on December 15, 2010, the exploration and mining activities of Tibet Zhongji complied with applicable PRC law and Tibet Zhongji has not violated any applicable PRC law and regulations since it first obtained the exploration and mining right in 2006.

In addition to the exploration rights and mining rights, we have also obtained the land use certificates from the Dangxiong County Land and Resources Bureau in Tibet for the lands we are currently using. We paid RMB1.4 million for land use rights for 50 years for the 106,774 square meters area surrounding the springs where our factory is built and where our water source is located.

Our PRC counsel has advised us that, except for the formal title certificates for some of our properties, we have obtained all necessary licenses, approvals and permits for our current operation within the PRC. Such licenses, approval and permits are legal and valid. In addition, currently and historically, there has been no specific legal or regulatory restrictions with respect to the ownership or management of business engaged in the mining of mineral water resources in Tibet. Nonetheless, all the activities with respect to the mining of mineral water resources shall be subject to the laws and regulations governing the mineral resources in the PRC and in Tibet Autonomous Region, including without limitation the Mineral Resources Law, the Regulations on the Administration of the Mineral Resources Law of the Tibet Autonomous Region, and the Procedures for the Registration of Mining of Mineral Resources. For more information, please refer to “Regulatory Overview”. Currently and historically, we have complied with these laws and regulations, and we have not had any disputes, claims or complaints in relation to the legality of our mining activities in Tibet.

We do not have any contingency plan to hedge against the risk of relying on a single water source. For more information relating to the risk of relying on a single water source, please refer to “Risk Factors —Our reliance on a single water source represents a material risk to our business if the mineral content and quality of the spring water from that source are adversely affected due to changes in the surrounding geological environment or contamination to the water source”. However, we believe that we will not encounter any water shortages at our water source. According to ALECTIA, the maximum extractable amount of mineral water has remained stable at approximately 1.1 million tonnes per year, which is sufficient to meet our needs for the foreseeable future. We further believe that we will not face any contamination problems at our water source. Due to the size and remote location of our water source, which is located in a mountainous area without any factories or human settlements, only contamination of a massive magnitude could affect our water source. In addition, our water source is protected by three protection zones and monitored continuously by closed circuit security cameras to help prevent any intruders from maliciously or negligently damaging our water source. Furthermore, we are only currently using three out of seven springs of our water source. If there are any problems with our springs, we have the ability to quickly develop the other four springs to extract sufficient quantities of mineral water to meet our production needs. We also have the ability to detect the contaminated water during our bottling process, through the filtration and inspection, to prevent any public health hazard.

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## SUMMARY

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In order to mitigate the risk relating to our single water source, we plan to use the proceeds from this offering to acquire new water sources in Tibet. Recently, we have been seeking other mineral water business entities which possess quality water sources and have communicated with the local government to understand the approval process.

### **OUR STRATEGIC RELATIONSHIP WITH CRE**

CRE is our largest customer and accounted for approximately 76.8%, 81.0% and 80.5% of our revenue in 2008, 2009 and 2010, respectively. CRE is a logistics company and subordinate enterprise under the Ministry of Railways, or MOR, and has 2,006 offices in more than 670 cities in China. As a result of the large sales volume and our cooperation with CRE in connection with logistics, we consider CRE our strategic partner.

CRE acts as a procurement agent for the MOR in purchasing bottled water from us. We produce bottled water in two customized formats for CRE: 1) a 328 ml retail version for CRE to distribute and resale through the MOR network or for MOR's internal consumption, and 2) a 330 ml version which is distributed free-of-charge to passengers on high-speed and CRH trains. As part of our distribution agreement with CRE, we sell our bottled water to CRE and CRE distributes our bottled water to MOR or other entities affiliated with MOR for resale through the MOR network, which consists of over 2,000 retail outlets and restaurants in 131 train stations and 115 mid- to high-end hotels across China operated by the MOR and its affiliates, and on board trains that makes approximately 2,800 trips per day.

Our initial purchasing agreement with CRE was entered in 2007 and the agreement required CRE to bear the transportation costs. In late 2008, we entered into a new purchasing agreement with CRE under which we provide one bottle of water free-of-charge for every bottle that is purchased by CRE and bear the transportation costs ourselves. In December 2010, we further extended our agreement with CRE for an additional three years, which expires on December 31, 2013. Under this extended agreement, CRE is obligated to purchase 75,000 tonnes of bottled mineral water at the size of 328 ml each year for the period of 2011 to 2013. The price under the extended agreement remains unchanged from the previous agreement that we entered in 2008, and is fixed throughout the term of the agreement. Pursuant to this agreement, we are also required to provide 75,000 tonnes of bottled mineral water at the size of 330 ml to CRE free-of-charge each year for the period of 2011 to 2013. There is no restriction as to the maximum or minimum price which CRE may charge when it resells our products through the MOR network under current arrangement. The bottled water purchased by CRE will be resold through the MOR network at the agreed retail price under our agreement. The bottled water provided free-of-charge to CRE will be distributed to train operators under the MOR, who serve the bottled water to ticketed passengers on high-speed trains, inter-provincial CRH trains and certain other CRH trains, including the Guangzhou-Shenzhen Railroad. Our purchase agreement with CRE does not provide for any profit sharing arrangement and CRE is not prohibited from selling bottled water produced by other companies. Neither party is allowed to terminate the agreement unless mutual consent between both parties is achieved in written form. No specific consequence is provided under this agreement should any party fail to discharge its obligation to purchase or to provide the agreed volume of bottled water. However, the rules for breach of contract under the PRC Contract Law



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## SUMMARY

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will apply. The non-breaching party may require the party in breach to continue to perform its obligation and/or claim losses arising from the breach. Our PRC counsel has advised that, based on the examination of the agreements which we entered with CRE, such agreements and the arrangements under such agreements do not violate relevant PRC laws and regulations.

We have also entered into strategic arrangements with CRE to provide an integrated logistics solution for us to cover the transportation and storage from the production facilities in Tibet to various water storage centers as well as delivery to our distributors and customers. In 2008, 2009 and 2010, our transportation cost incurred from CRE's integrated logistics services amounted to RMB31.1 million, RMB63.9 million and RMB87.5 million, respectively.

The Company's PRC counsel has advised that, based on the examination of the agreements entered into between the Group and CRE, such agreements, the distribution arrangements under such agreements and the cooperation between the Group and CRE arising from such agreements, do not constitute monopoly acts as defined and prohibited under the PRC Anti-monopoly Law or a contravention of the PRC Anti-monopoly Law.

As the former minister of the MOR, Liu Zhijun, and the deputy chief engineer of the MOR, Zhang Shuguang, were dismissed for "severe violations of discipline" and are currently under investigation for allegedly accepting a large amount of money in bribes in connection with purchasing of equipment for railway projects, the National People's Congress has appointed Sheng Guangzu as the new minister of the MOR. However, we have never bribed any MOR officials and have never been subject to any investigations because of our relationship with CRE or the investigation on MOR officials. To the best of our knowledge, our Company, executive Directors, non-executive Directors and Controlling Shareholders do not have any relationships with Mr. Liu or Mr. Zhang. Our existing agreements with CRE will not be affected by the dismissal or investigation of MOR officials. With respect to the investigation, there will be no impact on our Company and our Directors even if either Mr. Liu or Mr. Zhang is formally arrested and convicted. Our PRC counsel has also confirmed that the existing CRE agreements will be irrevocable and remain legally valid and binding. CRE, has also verbally confirmed to us that the existing CRE agreements will not be affected by the dismissal or investigation of MOR officials and will remain legally valid and binding. In addition, we also confirm that (i) we did not conduct any activities which may violate any anti-corruption legislations in the PRC; (ii) we did not receive any complaint or request for the investigation relating to any anti-corruption legislations in the PRC; and (iii) our Company, Controlling Shareholders and Directors have not been investigated or prosecuted due to the breach of any anti-corruption legislations in the PRC.

Although we successfully renewed our agreements with CRE in 2008, 2009 and 2010, we cannot assure you that such renewals will continue to occur in the future. To mitigate the risk of relying on CRE, we have also developed reliable cooperative partnerships with other institutional purchasers, including sales agreements with Air China, BP-PetroChina JV and China Post and strategic cooperative agreements with CCBI and ICBCI Holdings, and entered into logistic agreements with FedEx and China Post, with the expectation to explore more loyal customers as well as logistic service providers and to reduce our reliance on CRE. Although our sales to CRE is forecasted to increase by 66% from 2010 to 2011, we expect our sales to CRE to represent only 59% of our forecasted turnover in 2011, compared to approximately 80.5% of our turnover in 2010, which demonstrates a reduction

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## SUMMARY

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in our reliance on CRE as a result of our efforts to develop other sales channels such as sales to other institutional purchasers. In 2011, we entered into strategic relationships with more institutional purchasers other than CRE, and as a result, the portion of our turnover generated from CRE has decreased while our total turnover has increased. Going forward, we intend to continue adopting the strategy of customer diversification to reduce our reliance on CRE.

### GOVERNMENT GRANTS

As we are located in the Tibet Autonomous Region, we enjoy government grants from time to time. The amounts of grants we received from the government in the Tibet Autonomous Region were made largely with reference to our fiscal contribution to the local economic development.

In 2008, 2009 and 2010, we received grants from the government in the Tibet Autonomous Region as other income in the amount of RMB0.002 million, RMB2.5 million and RMB2.5 million, respectively, which amounted to 0.02%, 4.9% and 1.9% of our profit before income tax in the respective periods.

In order to encourage the expansion of the bottled water industry in Tibet, as well as to develop the economy of Tibet, the government in the Tibet Autonomous Region granted us a subsidy income amounting to RMB11.6 million in 2010 to compensate our efforts to increase our production capacity. Such amount was recorded as deferred income and will be credited to our combined income statement over the estimated useful lives of the related assets.

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

We estimate that, on the basis described in "Appendix III — Profit Forecast" to this prospectus, we will receive a total government grant of RMB142.3 million in 2011, which is expected to amount to approximately 32.6% of our forecasted net profit in 2011 after taking into account the income tax effect on the government grant.

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## SUMMARY

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### RISK FACTORS

There are certain risks relating to an investment in our Shares. Those risks can be categorized into (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting operations in China; and (iv) risks relating to the Global Offering. A detailed discussion of the risk factors is set forth in the section entitled “Risk Factors”.

#### Risks Relating to Our Business

- We depend on CRE for a significant majority of our revenue and for its integrated logistics solution services. A deterioration in this relationship may cause a significant decline in our business, financial condition and results of operations.
- The recent investigations and changes in the senior management at the Ministry of Railways could have a negative effect on our strategic relationship with CRE.
- We rely on a single product of bottled glacial spring mineral water, which represents a significant risk to our business if this single product fails to generate revenue.
- Our reliance on a single water source represents a material risk to our business if the mineral content and quality of the spring water from that source are adversely affected due to changes in the surrounding geological environment or contamination to the water source.
- We have a limited operating history, which may make it difficult for you to evaluate our business and prospects.
- We rely on our suppliers for raw materials.
- We rely on various licenses and permits to operate our business, and the failure to renew any or all of these licenses and permits could materially adversely affect our business.
- We rely on our production equipment produced by our suppliers in Germany and Canada, and any breakdowns would interrupt our production and could have a material adverse effect on our results of operations.
- Our raw material costs may fluctuate significantly.
- We rely on our distributors to sell our product to consumers through various points of sale and any disruptions in our distribution channels could have a material and adverse effect on our business.
- Our product, logos and brand names may be subject to counterfeiting or imitation, which could negatively impact our reputation and brand name as well as lead to higher administrative costs.
- Negative rumors or media coverage of our products could materially and adversely affect our reputation, business, financial condition and the price of our Shares.

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## SUMMARY

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- Our success and ordinary operations are largely dependent on certain key personnel.
- We experience seasonal fluctuations in demand for our product.
- Our results of operations may be adversely affected by natural disasters.
- The unavailability or shortage of reliable and sufficient transportation capacity could reduce our revenue by causing us to reduce our production volume or impairing our ability to supply our product to our customers.
- Our expansion strategy may not prove successful.
- We may be unable to manage future rapid growth.
- There is no guarantee that we will continue to receive the preferential tax treatment we currently enjoy.
- We benefit from government grants, the withdrawal of which could affect our operations.
- Our business and reputation may be affected by product liability claims, litigation, complaints or adverse publicity in relation to our product.
- Historically, we have faced certain risks relating to our loans to and advances from third parties
- Our Controlling Shareholders have substantial influence over our company and their interests may not be aligned with your interests
- We had net current liabilities position as of December 31, 2008, 2009 and 2010.
- We have not obtained formal title certificates to some of the properties we occupy and some of our landlords lack relevant title certificates for properties leased to us, which may materially and adversely affect our rights to use such properties.

### **Risk Relating to Our Industry**

- We could be adversely affected by a change in consumer preferences, perception and/or spending patterns relating to bottled water, particularly premium bottled water.
- The bottled water industry could face slower growth.
- We face increasing competition from domestic and foreign companies, which may affect our market share and profit margins.

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## SUMMARY

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- Changes in the existing laws and regulations or additional or more stringent laws and regulations on environmental protection in China may cause us to incur significant capital expenditures, and we cannot assure that we will be able to comply with any such laws and regulations.
- Changes in existing PRC food safety laws may cause us to incur additional costs to comply with the more stringent laws and regulations, which could have an adverse impact on our financial position.
- We are subject to environment regulations and may encounter environmental issues which may have an adverse impact on our business.

### **Risks Relating to Conducting Operations in China**

- Political and economic policies of the PRC government may affect our business and results of operations and may result in our inability to sustain our growth and expansion strategies.
- Changes in foreign exchange regulations and fluctuation in the value of the Renminbi may adversely affect our business and results of operations and our ability to remit dividends.
- Dividends payable to us by our PRC subsidiaries and gain on sale of the Shares may be subject to PRC withholding taxes, or we may be subject to PRC taxation on our worldwide income and dividends distributed to our investors may be subject to PRC withholding taxes under the EIT Law.
- We are a holding company that heavily relies on dividend payments from our subsidiaries and associated companies for funding.
- PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiaries to liabilities or penalties, limit our ability to contribute capital to our PRC subsidiaries, limit our PRC subsidiaries' ability to increase its registered capital or distribute profits to us, or may otherwise adversely affect us.
- Interpretation of PRC laws and regulations involves uncertainty that could adversely affect our business and results of operations and the value of our Shares.
- It may be difficult to effect service of process upon us or our Directors or executive officers who live in China or to enforce against them in the PRC judgments obtained from non-PRC courts.
- We face risks related to health epidemics and other outbreaks of contagious diseases, including avian flu, SARS and swine flu.
- The national and regional economies of China and our business prospects may be adversely affected by natural disasters, acts of God and the occurrence of epidemics.

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## SUMMARY

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- The enforcement of the PRC Labor Contract Law and other labor-related regulations in the PRC may adversely affect our business and results of operations.
- Our business may be adversely impacted by the political and social changes in Tibet.

### **Risks Relating to the Global Offering**

- There has been no prior public market for our shares, and the liquidity and market price of our shares may be volatile.
- Our share price may be volatile, which could result in substantial losses for investors purchasing Offer Shares in the Global Offering.
- Concentrated ownership and certain groups of shareholders may exercise substantial control over us and may not act in the best interest of independent shareholders.
- Since the Offer Price of the Offer Shares is higher than the net tangible book value per Offer Share, you will incur immediate dilution.
- You may face difficulties in protecting your interests because we are incorporated under Cayman Islands laws, which may provide less protection to minority shareholders than the laws of Hong Kong or other jurisdictions.
- We cannot guarantee the accuracy of facts and other statistics with respect to China, the PRC economy and the PRC bottled water industry contained in this prospectus.
- A potential sale of shares by our existing shareholders could have an adverse effect on our share price.
- Investors should read the entire prospectus carefully and should not consider any particular statements in this prospectus or in published media reports without carefully considering the risks and other information contained in this prospectus.

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## SUMMARY

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### SUMMARY HISTORICAL FINANCIAL INFORMATION

The following summary historical combined income statement data for the years ended December 31, 2008, 2009 and 2010 and the summary historical combined balance sheet data as of December 31, 2008, 2009 and 2010 set forth below have been derived from and should be read in conjunction with the combined financial information set forth in the Accountant's Report in Appendix I to this prospectus. The following combined financial information has been prepared in accordance with IFRS.

#### Summary Historical Combined Income Statement Data

	Year ended December 31,		
	2008	2009	2010
	(RMB in millions)		
Revenue . . . . .	119.5	215.8	360.5
Cost of sales . . . . .	(59.6)	(91.5)	(128.3)
Gross profit . . . . .	59.9	124.3	232.2
Other (losses)/gains, net . . . . .	(0.4)	2.3	2.4
Distribution costs . . . . .	(32.0)	(60.9)	(81.6)
Administrative expenses . . . . .	(9.4)	(10.8)	(18.3)
Operating profit . . . . .	18.1	54.9	134.7
Finance costs — net . . . . .	(5.1)	(4.0)	(2.0)
Profit before income tax . . . . .	13.0	50.9	132.7
Income tax expenses . . . . .	(1.1)	(3.5)	(17.5)
Profit for the year . . . . .	<u>11.9</u>	<u>47.4</u>	<u>115.2</u>
Attributable to:			
Equity holders of the Company . . . . .	11.2	47.4	115.2
Non-controlling interests . . . . .	0.7	—	—
	<u>11.9</u>	<u>47.4</u>	<u>115.2</u>

## SUMMARY

### Summary Historical Combined Balance Sheet Data

	As of December 31,		
	2008	2009	2010
	(RMB in millions)		
<b>Current assets</b>			
Inventories .....	16.5	19.7	32.2
Trade receivables .....	23.7	43.0	72.0
Prepayments and other receivables .....	87.9	17.8	19.2
Restricted cash .....	12.6	17.1	—
Cash and cash equivalents .....	46.7	64.0	34.8
<b>Total current assets</b> .....	<u>187.4</u>	<u>161.6</u>	<u>158.2</u>
<b>Non-current assets</b> .....	<u>185.0</u>	<u>250.5</u>	<u>301.7</u>
<b>Total assets</b> .....	<u><u>372.4</u></u>	<u><u>412.1</u></u>	<u><u>459.9</u></u>
<b>Current liabilities</b>			
Trade payables .....	10.1	23.0	14.5
Borrowings .....	115.6	9.0	—
Deferred revenue and advance received from customers .....	14.9	20.7	26.1
Enterprise income tax payables .....	0.7	1.2	—
Accruals and other payables .....	113.2	123.3	124.6
<b>Total current liabilities</b> .....	<u>254.5</u>	<u>177.2</u>	<u>165.2</u>
<b>Non-current liabilities</b>			
Borrowings .....	—	70.0	—
Deferred income .....	—	—	11.6
<b>Total non-current liabilities</b> .....	<u>—</u>	<u>70.0</u>	<u>11.6</u>
<b>Total liabilities</b> .....	<u>254.5</u>	<u>247.2</u>	<u>176.8</u>
<b>Equity attributable to equity holders of the Company</b> .....	<u>113.8</u>	<u>164.9</u>	<u>283.1</u>
<b>Non-controlling interest</b> .....	<u>4.1</u>	<u>—</u>	<u>—</u>
<b>Total equity and liabilities</b> .....	<u><u>372.4</u></u>	<u><u>412.1</u></u>	<u><u>459.9</u></u>



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## SUMMARY

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The following table sets forth the costs of extracting and producing our bottled mineral water which amounted to 50.0%, 41.3% and 32.8% of our revenue in 2008, 2009 and 2010, respectively.

	Year ended December 31,					
	2008		2009		2010	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)					
Raw materials and consumables used . . .	48.2	80.6%	66.0	74.1%	90.3	76.3%
PET preforms . . . . .	27.4	45.8%	33.1	37.1%	48.4	40.9%
Packaging materials . . . . .	18.3	30.6%	28.0	31.4%	31.5	26.6%
Others . . . . .	2.5	4.2%	4.9	5.5%	10.4	8.8%
Depreciation of property, plant and equipment . . . . .	6.2	10.4%	11.3	12.7%	14.1	11.9%
Salary, wages and benefit . . . . .	2.7	4.5%	5.9	6.6%	5.9	5.0%
Electricity and other utility expenses . . .	1.7	2.8%	3.8	4.3%	6.0	5.1%
Exploration rights expenses . . . . .	0.3	0.5%	0.3	0.3%	0.5	0.4%
Others <sup>(1)</sup> . . . . .	0.7	1.2%	1.8	2.0%	1.6	1.4%
Total costs . . . . .	59.8	100.0%	89.1	100.0%	118.4	100.0%

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(1) The usage fee for the mining rights (RMB9,500 per year) is included in “Others”.

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## SUMMARY

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### PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2011

All statistics in this table are based on the assumptions that the Over-allotment Option is not exercised.

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Forecast consolidated profit attributable to equity holders of the Company <sup>(1)(2)</sup> . . . . .	not less than RMB370.5 million (HK\$444.4 million)
Unaudited pro forma forecast earnings per share <sup>(2)(3)</sup> . . . . .	not less than RMB0.15 (HK\$0.18)

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*Notes:*

- (1) The bases and assumptions on which the above profit forecast has been prepared are set out in Appendix III to this prospectus. A government grant of RMB142.3 million has been included in the profit forecast, which is expected to amount to approximately 32.6% of our forecasted consolidated profit in 2011 after taking into account the income tax effect on the government grant.
- (2) Forecast consolidated profit attributable to equity holders of our Company for the year ending December 31, 2011 and unaudited pro forma forecast earnings per Share are converted into Hong Kong dollars at the PBOC rate of RMB0.8337 to HK\$1.00 prevailing on June 13, 2011.
- (3) The calculation of unaudited pro forma forecast earnings per Share is based on the forecast consolidated profit attributable to equity shareholders of our company for the year ending December 31, 2011, assuming that we had been listed since January 1, 2011 and a total of 2,500,000,000 Shares had been issued and outstanding during the entire year.

The forecast is presented on a basis consistent in all material respects with the accounting policies currently adopted by us as set out in the Accountant's Report dated June 20, 2011 (the text of which is set out in Appendix I — "Accountant's Report" to this prospectus).

### *Sales to CRE*

Although our sales to CRE is forecasted to increase by 66% from 2010 to 2011, we expect our sales to CRE to represent only 59% of our forecasted turnover in 2011, compared to approximately 80.5% of our turnover in 2010, which demonstrates a reduction in our reliance on CRE as a result of our efforts to develop other sales channels such as sales to other institutional purchasers. In 2011, we entered into strategic relationships with more institutional purchasers other than CRE, and as a result, the portion of our turnover generated from CRE has decreased while our total turnover has increased. Going forward, we intend to continue adopting the strategy of customer diversification to reduce our reliance on CRE.

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## SUMMARY

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### *PET Price*

The following table illustrates the sensitivity of the estimated net profit attributable to our equity holder in 2011 when there is a change in the price of PET:

#### Unit in RMB'000

% Change in PET price . . .	-15%	-10%	-5%	0%	5%	10%	15%
2011 Net Profit . . . . .	384,634	379,913	375,192	370,471	365,750	361,029	356,308
Change in Net Profit . . . . .	14,163	9,442	4,721	0	-4,721	-9,442	-14,163
% Change in Net Profit . . .	3.8%	2.5%	1.3%	0.0%	-1.3%	-2.5%	-3.8%

### OFFER STATISTICS

All statistics in this table are based on the assumptions that the Over-allotment Option is not exercised.

	<u>Based on an Offer Price of HK\$2.62 per Share</u>	<u>Based on an Offer Price of HK\$3.50 per Share</u>
Market capitalization <sup>(1)</sup> . . . . .	HK\$6,550 million	HK\$8,750 million
Prospective price/earnings multiple		
— unaudited pro forma earnings per Share <sup>(2)</sup> . . . . .	14.6 times	19.4 times
Unaudited pro forma adjusted net tangible asset value per Share <sup>(3)</sup> . . . . .	HK\$0.58	HK\$0.73

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*Notes:*

- (1) The calculation of market capitalization is based on 2,500,000,000 Shares expected to be issued and outstanding following the Global Offering.
- (2) The calculation of the prospective price/earnings multiple is based on unaudited pro forma forecast earnings per Share for the year ending December 31, 2011 at the respective Offer Prices of HK\$2.62 per Share and HK\$3.50 per Share.
- (3) The unaudited pro forma adjusted net tangible asset value per Share is arrived at after the adjustments referred to in the section entitled “Financial Information — Unaudited Pro Forma Adjusted Net Tangible Assets” of this prospectus and on the basis of 2,500,000,000 Shares in issue at the respective Offer Prices of HK\$2.62 per Share and HK\$3.50 per Share.

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## SUMMARY

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### DIVIDEND POLICY

We have paid RMB0 in dividends over the Track Record Period, and we currently do not plan to pay any dividends out of our retained earnings as of the year ended December 31, 2010. With respect to retained earnings accrued after such date, the Board may declare dividends after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law, including the approval of our shareholders. Our future declarations of dividends may not reflect our declarations of dividends in previous periods and will be at the discretion of the Board.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries and associated companies in China. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign-invested enterprises, such as some of our subsidiaries in China, to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries and associated companies may also be restricted if they incur debt or losses or in accordance with any, restrictive covenants in bank credit facilities, convertible bond instrument or other agreements that we or our subsidiaries and associated companies may enter into in the future.

Subject to the factors above, we plan to distribute regular dividends after listing on the Hong Kong Stock Exchange. We currently do not intend to distribute dividend to our shareholders in respect of the year ended December 31, 2011.

### USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$1,298.9 million after deducting the underwriting fees and expenses payable by us in the Global Offering, assuming no Over-allotment Option is exercised and an Offer Price of HK\$3.06 per Share, being the mid-point of the indicative Offer Price range of HK\$2.62 to HK\$3.50 per Share in this prospectus.

We intend to use the net proceeds we will receive from this offering for the following purposes:

- approximately 30%, or approximately HK\$389.7 million, will be used to expand our production capacity by constructing additional facilities and purchasing additional production equipment. We plan to expand our production capacity by 200,000 tonnes. Specifically, we plan to a) expand the production capacity for 330ml PET bottled water by 100,000 tonnes; b) install a production facility for 330ml glass bottled water with an annual production capacity of 20,000 tonnes; and c) install a production facility for 1.5L glass bottled water with an annual production capacity of 80,000 tonnes. We engaged a qualified independent third party to conduct a feasibility study in February 2011, the conclusion of which indicated that such expansion plan is feasible. The new production facility will be built next to our existing production facility at Dangxiong County, Tibet. We have obtained land use rights for 50 years for 106,774 square meters of land surrounding the spring where

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## SUMMARY

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our existing production facility is located. We believe we have sufficient land for our planned production expansion. The expansion of production capacity to 207,900 tonnes during the first half of 2011 is sufficient to meet the demand of bottled water in 2011, which includes 150,000 tonnes ordered from CRE under our buy-one-get-one-free arrangement. We also plan to install other production lines by the end of 2012. However, further expansion of the production lines will be mainly driven by future sales and market demand growth, in particular, the increasing sales order from institutional purchasers and retail customers other than CRE, as the demand from CRE will remain at 150,000 tonnes each year from 2011 to 2013 under our strategic agreement.

- approximately 25%, or approximately HK\$324.7 million, will be used to expand our distribution network and toward promotional activities;
- approximately 35%, or approximately HK\$454.6 million, will be used for mergers and acquisitions that complement our existing business. We have been considering a number of potential merger and acquisition opportunities in order to acquire new water sources, but we have not engaged in formal negotiation with any potential acquisition targets; and
- approximately 10%, or approximately HK\$129.9 million, will be used for working capital and other general corporate purposes.

In the event that the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds from the sale of these additional Offer Shares of approximately HK\$204.5 million, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the same initial public Offer Price as stated above. We intend to apply the additional net proceeds to the above uses on a pro rata basis.

In the event that the Offer Price is set at the low end of the proposed Offer Price range and the Over-allotment Option is not exercised at all, our Company will receive net proceeds of approximately HK\$1,102.9 million. Under such circumstances, the net proceeds allocated to the above uses will be adjusted on a pro rata basis. In the event that the Offer Price is set at the high-end of the proposed Offer Price range and the Over-allotment Option is exercised in full, our Company will receive net proceeds of approximately HK\$1,728.7 million. The additional net proceeds of approximately HK\$625.8 million (when compared to the net proceeds to our Company with the Offer Price being determined at the low end of the stated range and assuming the Over-allotment Option is not exercised) will be used for the above uses on a pro rata basis.

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above, they will be placed on deposit with banks or other financial institutions or held in other treasury instruments.

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## DEFINITIONS

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“5100 Bioform”	5100 Bioform Cosmetic Company Limited (5100化妝品有限公司), a company incorporated in Hong Kong on November 24, 2009 and owned as to 50% by Hongkong Zhongji and the remaining 50% by two Independent Third Parties
“5100 Club”	Beijing 5100 Enterprise Planning Club Co., Ltd. (北京五一零零企業策劃俱樂部有限公司), a company established in the PRC on July 13, 2007 and an indirect wholly-owned subsidiary of our Company
“AA”	Acetic aldehyde
“Able Long”	Able Long International Limited (永津國際有限公司), a Company incorporated in Hong Kong on July 28, 2005 and subsequently dissolved by deregistration on November 12, 2010, which was wholly owned by Mr. Yu immediately prior to its deregistration
“Application Form(s)”	<b>WHITE</b> application form(s), <b>YELLOW</b> application form(s) and <b>GREEN</b> application form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offer
“Articles of Association” or “Articles”	the articles of association of our Company, adopted on June 14, 2011 as amended from time to time, a summary of which is set out in Appendix V to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Bai Jun”	Bai Jun Limited (百駿有限公司), a company incorporated in BVI on October 18, 2010, an indirect wholly-owned subsidiary of CCBI and one of the pre-IPO Investors
“Big Linkage”	Big Linkage Limited (偉綽有限公司), a company incorporated in Hong Kong on December 3, 2009, being one of the pre-IPO Investors and an Independent Third Party
“Bioform Sales Framework Agreement”	sales agreement entered into between Glacier Water and 5100 Bioform on January 3, 2011
“Bioform Trademark License Agreement”	the name use and trademarks license agreement dated December 22, 2010 entered into between Glacier Water and 5100 Bioform
“Board” or “Board of Directors”	the board of Directors
“BP-PetroChina JV”	BP-PetroChina Fuels JV (中油碧辟石油有限公司), being an Independent Third Party

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## DEFINITIONS

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“Business Day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“Capital More”	Capital More Holdings Limited (金裕控股有限公司), a company incorporated in BVI on April 12, 2010 and an indirect shareholder of our Company
“Capitalization Issue”	the capitalization of an amount of HK\$20,407,000 from the amount standing to the credit of the share premium account of the Company as set out in the paragraph headed “Written Resolutions of the Shareholder of our Company passed on June 14, 2011” in Appendix VI to this prospectus
“Cayman Companies Law” or “Companies Law”	the Companies Law (Cap.22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	The Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CCB”	China Construction Bank Corporation (中國建設銀行股份有限公司), a company established in the PRC and listed on the Main Board of the Stock Exchange (stock code: 939) and the Shanghai Stock Exchange (stock code: 601939)
“CCBI”	CCB International (Holdings) Limited (建銀國際(控股)有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of CCB
“Chengdu Pushun”	Chengdu Pushun Kemao Co., Ltd. (成都市浦順科貿有限公司), a company established in the PRC on September 21, 2005, being an Independent Third Party

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## DEFINITIONS

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“China” or “PRC”	People’s Republic of China, for the purpose of this prospectus, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“China Post”	China Post Group Corporation (中國郵政集團公司), a company established in the PRC on January 29, 2007, being an Independent Third Party
“China Railway Express” or “CRE”	China Railway Express Co., Ltd. (中鐵快運股份有限公司), a company established in the PRC, being an Independent Third Party
“CMB”	China Merchants Bank Company Limited (招商銀行股份有限公司), a company established in the PRC and listed on the Hong Kong Stock Exchange (stock code: 03968) and the Shanghai Stock Exchange (stock code: 600036), being an Independent Third Party
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended and supplemented or otherwise modified from time to time
“Company” and “our Company”	Tibet 5100 Water Resources Holdings Ltd. (西藏5100水資源控股有限公司), an exempted company incorporated in the Cayman Islands on November 8, 2010
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholders”	Water Resources, Maple Essence, True Asset and Mr. Wang; each a Controlling Shareholder
“Cosmetic Products”	skincare and cosmetic products of 5100 Bioform produced in Greater China
“CPPCC”	Chinese People’s Political Consultative Conference (中國人民政治協商會議)
“CRH trains”	“Hexiehao” trains (和諧號動車) that travels between 160 to 300 kilometers per hour
“Director(s)”	the director(s) of our Company as of the date of this prospectus
“EIT Law”	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) promulgated on March 16, 2007 that became effective on January 1, 2008



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## DEFINITIONS

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“Fantastic World”	Fantastic World Investments Limited, a company incorporated in BVI on January 3, 2006, being one of the pre-IPO Investors and an Independent Third Party
“Fastgrow”	Fastgrow Capital Limited, a company incorporated in BVI on December 12, 2001 and wholly owned by Mr. Wang
“FedEx”	Federal Express (China) Company Limited (聯邦快遞(中國)有限公司), a company established in the PRC, being an Independent Third Party
“Financial Investors”	Big Linkage, Fantastic World, Heartland Capital, Highland Broadview, Maotai and Raventon
“GAQS”	The General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局)
“GDP”	gross domestic product
“Geology Team”	Tibet Bureau of Geology and Mineral Exploration, Geology Team (西藏自治區地質礦產勘查開發局地熱地質大隊), being an Independent Third Party
“Glacier Marketing”	Tibet Glacier Mineral Water Marketing Co. Ltd. (西藏冰川礦泉水營銷有限公司), a company established in the PRC on April 21, 2010 and an indirect wholly-owned subsidiary of our Company
“Glacier Water”	Tibet Glacier Mineral Water Co. Ltd. (西藏冰川礦泉水有限公司), a company established in the PRC on October 31, 2005 and an indirect wholly-owned subsidiary of our Company
“Global Offering”	the Hong Kong Public Offer and the International Placing
“Government Grant Agreement”	Government Grant Agreement, dated May 1, 2010, between Glacier Marketing and the Economic Development Bureau of Tibet Lhasa Economic and Technology Development Zone
“GREEN Application Form(s)”	the application form(s) to be completed by the <b>White Form eIPO</b> Service Provider, Computershare Hong Kong Investor Services Limited
“Green Highland”	Green Highland Investment Ltd (綠色高原投資有限公司), a company incorporated in BVI on March 3, 2010 and indirectly owned as to 90% by Mr. Wang and as to 5% each by Mr. Yu and Ms. Li respectively

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## DEFINITIONS

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“Group”, “our Group”, “we”, “our” and “us”	our Company and its subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
“Group Reorganization”	the reorganization of our group companies now comprising Group conducted in preparation for the Listing, details of which are set out under the paragraph headed “Group reorganization and history” in Appendix VI of the prospectus
“HACCP”	Hazard Analysis and Critical Control Point
“Heartland Capital”	Heartland Capital Management Limited, a company incorporated in Mauritius on May 2, 2006, being one of the pre-IPO Investors and an Independent Third Party
“Highland Broadview”	Highland Broadview Investment Ltd. (高原廣景投資有限公司), a company incorporated in BVI on March 3, 2010 and one of the pre-IPO Investors
“high-speed trains”	high-speed trains (高速鐵路) that can travel at a speed exceeding 300 kilometers per hour
“HK\$” on “HK dollars” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKIAC”	Hong Kong International Arbitration Centre
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 45,930,000 Shares being initially offered by our Company for subscription under the Hong Kong Public Offer at the Offer Price (subject to adjustment as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus)
“Hong Kong Public Offer”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005%), on and subject to and in accordance with the terms and conditions described in this prospectus and in the Application Forms relating thereto

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## DEFINITIONS

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“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Trademarks”	the trademarks that were originally registered in Hong Kong in the name of Hongkong Zhongji with the consent of Glacier Water and our Group and later assigned to and is currently owned by Glacier Water as listed under the paragraphs headed “Intellectual property rights of our Group” in Appendix VI of the prospectus
“Hong Kong Trademarks Assignment”	the trademark assignment agreement dated December 22, 2010 between Hongkong Zhongji as the assignor, Glacier Water as the assignee and 5100 Bioform as the confirmor with respect to the Hong Kong Trademarks
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offer whose names are listed in the section headed “Underwriting — Underwriters — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated June 17, 2011 relating to the Hong Kong Public Offer entered into among our Company, the Warrantors, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters
“Hongkong Zhongji”	Water Resources Limited (香港中稷佳華有限公司) (formerly known as Hongkong Zhongji Jiahua Limited and renamed to its existing name on March 20, 2007), a company incorporated in Hong Kong on June 10, 2005 and indirectly owned as to 90% by Mr. Wang and 10% by Ms. Li
“ICBC”	Industrial and Commercial Bank of China Ltd. (中國工商銀行股份有限公司), a company established in the PRC and listed on the Hong Kong Stock Exchange (stock code: 01398) and the Shanghai Stock Exchange (stock code: 601398)
“ICBCI Capital”	ICBC International Capital Limited, a corporation licensed under the SFO and permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities (as defined in the SFO), acting as one of the Joint Bookrunners and Joint Sponsors
“ICBCI Holdings”	ICBC International Holdings Limited, a company incorporated in Hong Kong, a wholly-owned subsidiary of ICBC, and the holding company of ICBCI Capital and ICBCI Securities

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## DEFINITIONS

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“ICBCI Securities”	ICBC International Securities Limited, a corporation licensed under the SFO and permitted to carry on Type 1 (dealing in securities) of the regulated activities (as defined in the SFO), acting as one of the Joint Lead Managers
“IFRS”	International Financial Reporting Standards, which include standards, amendments and interpretations issued by the International Accounting Standards Board
“Independent Third Party(ies)”	a person or persons or a company or companies that is or are not connected person(s)
“International Placing”	the conditional placing of the International Placing Shares outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act, including to professional investors in Hong Kong, as further described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“International Placing Shares”	the 413,360,000 Shares being initially offered for subscription under the International Placing together, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to adjustment as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“International Underwriters”	the underwriters, led by the Joint Global Coordinators, which is expected to enter into the International Underwriting Agreement to underwrite the International Placing
“International Underwriting Agreement”	the underwriting agreement relating to the International Placing and expected to be entered into among us, the International Underwriters and other parties thereto on or around June 23, 2011
“Jintong”	Hongkong Jintong Assets Management Limited (香港金通資產管理有限公司) (formerly known as Hongkong Jintong Investment Holdings Limited and renamed to its existing name on September 3, 2003), a company incorporated in Hong Kong on November 3, 1997 and indirectly owned as to 95% by Mr. Wang, and directly owned as to 4% by Mr. Liu Min and 1% by Ms. Li

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## DEFINITIONS

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“Joint Bookrunners”	in respect of the Hong Kong Public Offer, J.P. Morgan (Asia Pacific), CCB International Capital Limited, ICBCI Capital, CITIC Securities Corporate Finance (HK) Limited, Oriental Patron Securities Limited, and in respect of the International Placing, J.P. Morgan, CCB International Capital Limited, ICBCI Capital, CITIC Securities Corporate Finance (HK) Limited, Oriental Patron Securities Limited
“Joint Global Coordinators”	J.P. Morgan (Asia Pacific) and CCB International Capital Limited
“Joint Lead Managers”	in respect of the Hong Kong Public Offer, J.P. Morgan (Asia Pacific), CCB International Capital Limited, ICBCI Securities, CITIC Securities Corporate Finance (HK) Limited, Oriental Patron Securities Limited, and in respect of the International Placing, J.P. Morgan, CCB International Capital Limited, ICBCI Securities, CITIC Securities Corporate Finance (HK) Limited, Oriental Patron Securities Limited
“Joint Sponsors”	J.P. Morgan (Asia Pacific), CCB International Capital Limited, ICBCI Capital and CITIC Securities Corporate Finance (HK) Limited
“J.P. Morgan”	J.P. Morgan Securities Ltd., acting as one of the Joint Bookrunners of the International Placing and one of the Joint Lead Managers of the International Placing
“J.P. Morgan (Asia Pacific)”	J.P. Morgan Securities (Asia Pacific) Limited, a corporation licensed under the SFO permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of the regulated activities (as defined in the SFO), and a restricted licensed bank under the Banking Ordinance (Cap. 155 of the Laws of Hong Kong), acting as one of the Joint Global Coordinators, one of the Joint Bookrunners of the Hong Kong Public Offer and one of the Joint Lead Managers of the Hong Kong Public Offer
“Kweichow Moutai”	Kweichow Moutai Co., Ltd. (貴州茅臺酒股份有限公司), a company established in the PRC and listed on the Shanghai Stock Exchange (stock code: 600519)
“Kweichow Moutai Distillery”	China Kweichow Moutai Distillery Co., Ltd. (中國貴州茅臺酒廠有限責任公司), a company incorporated in the PRC on January 24, 1998, which directly holds 80% equity interest in Maotai and which is also one of the shareholders of Kweichow Moutai

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## DEFINITIONS

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“Kweichow Moutai Technical Development”	Kweichow Moutai Distillery Technical Development Company (貴州茅臺酒廠集團技術開發公司), a company established in the PRC, which directly holds 20% equity interest in Maotai and which is also one of the shareholders of Kweichow Moutai
“Latest Practicable Date”	June 13, 2011, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Lhasa Brewery”	Tibet Lhasa Brewery Co., Ltd (西藏拉薩啤酒有限公司), a company established in the PRC and an Independent Third Party
“Listing”	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Committee”	the Listing Committee of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or about June 30, 2011, on which our Shares are first listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange (as amended from time to time)
“Main Board”	the stock market operated by the Hong Kong Stock Exchange, which excludes Growth Enterprise Market and the options market
“Maotai”	China Guizhou Maotai Brewery Trading (H.K.) Limited (中國貴州茅台酒廠貿易(香港)有限公司), a company incorporated in Hong Kong on August 12, 1993, being one of the pre-IPO Investors and an Independent Third Party
“Maple Essence”	Maple Essence Investments Limited (楓華投資有限公司), a company incorporated in BVI on October 28, 2009 and a Controlling Shareholder
“Maple Vic”	Maple Vic Investments Limited (楓達投資有限公司), a company incorporated in BVI on November 27, 2009 and indirectly owned as to 90% by Mr. Wang and as to 5% each by Mr. Yu and Ms. Li respectively
“Memorandum of Association”	the memorandum of association of our Company, adopted on November 8, 2010 and as amended from time to time

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## DEFINITIONS

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“MLR”	the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部), the central administrative department for administration and regulation of natural resources such as land and minerals in the PRC
“MOR”	Ministry of Railways of the PRC (中華人民共和國鐵道部)
“Mr. Wang”	Mr. Wang Peter Jian (王堅先生), a Controlling Shareholder, previously known as Mr. Wang Jian (王健先生)
“Mr. Yu”	Mr. Yu Yiping Wallace (俞一平先生), our chairman and executive Director
“Ms. Li”	Ms. Li Xiao Bing (栗小兵女士), wife of Mr. Yu Yiping Wallace
“Ms. Zhou”	Ms. Zhou Wen Qiong (周文瓊女士)
“New National Standards”	GB/T8537-2008 (飲用天然礦泉水標準), issued by The General Administration of Quality Supervision, Inspection and Quarantine of the PRC, to provide the requirements of drinking mineral water product in terms of its categorization, examination, labeling, packaging, transportation and storage.
“NPC”	National People’s Congress (全國人民代表大會)
“Offer Price”	the final price per Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for and issued, or purchased and sold pursuant to the Global Offering, to be determined as further described in the section headed “Structure and Conditions of the Global Offering — Pricing and allocation” in this prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares, with any additional Shares to be issued and sold pursuant to the exercise of the Over-allotment Option
“Oriental Patron”	Oriental Patron Securities Limited, a licensed corporation to engage in type 1 (dealing in securities) and type 4 (advising on securities) of regulated activities under the SFO

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## DEFINITIONS

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“Over-allotment Option”	the option to be granted by our Company to the International Underwriters, pursuant to which our Company may be required to allot and issue up to 68,893,000 additional new Shares, representing 15% of the Shares initially available under the Global Offering at the Offer Price, to, among other things, cover over-allocations in the International Placing (if any) as further described in the section headed “Structure and Conditions of the Global Offering”
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PET”	Polyethylene terephthalate
“PRC Company Law”	The Company Law of the PRC (《中華人民共和國公司法》), enacted by the Standing Committee of the NPC on December 29, 1993, which became effective on July 1, 1994, as amended, supplemented or otherwise modified from time to time. The latest revision was approved on October 27, 2005 and came into effect on January 1, 2006
“PRC GAAP”	the PRC Accounting Standards and Accounting Regulations for Business Enterprises and its supplementary regulations
“PRC Securities Law”	the Securities Law of the PRC (《中華人民共和國證券法》), enacted by the Standing Committee of the NPC on December 29, 1998 and which became effective on July 1, 1999, as amended and supplemented or otherwise modified from time to time. The latest revision was approved on October 27, 2005 and came into effect on January 1, 2006
“PRC Trademarks”	trademarks owned by Tibet Zhongji and Glacier Water as listed under the paragraphs headed “Intellectual property rights of our Group” in Appendix VI of this prospectus
“pre-IPO Investors”	Bai Jun, Big Linkage, Fantastic World, Heartland Capital, Highland Broadview, Maotai, Raventon and Victory Ride
“Price Determination Date”	the date, expected to be on or around June 23, 2011 but no later than June 27, 2011, on which the Offer Price is fixed for the purposes of the Global Offering
“Project”	The 5100 Glacier Spring Water project
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offer



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## DEFINITIONS

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“Raventon”	Hongkong Raventon Company Limited (香港偉恒通有限公司), a company incorporated in Hong Kong on July 7, 1989 and one of the pre-IPO Investors
“Regulation S”	Regulation S under the U.S. Securities Act
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administrations
“Shareholder(s)”	holder(s) of the Share(s)
“Shares”	ordinary shares with a nominal value of HK\$0.01 each in the capital of our Company, which are to be subscribed for and traded in Hong Kong dollars and listed on the Hong Kong Stock Exchange
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and, supplemented or otherwise modified, from time to time
“Sichuan Hengsheng”	Sichuan Hengsheng Science and Technology Development Co., Ltd. (四川恒生科技發展有限公司), a company established in the PRC on June 3, 1998 and an Independent Third Party
“Sino Ocean”	Sino Ocean International Investment Limited (中海國際投資有限公司), a company incorporated in BVI on July 28, 2003 and an indirect wholly-owned subsidiary of our Company
“Springhead Investments”	Springhead Investments Limited (泉源投資有限公司), a company incorporated in BVI on January 22, 2007 and an indirect Shareholder of our Company
“Stabilizing Manager”	J.P. Morgan Securities Ltd.
“Starry Investment”	Starry Investment Development Limited (星華投資發展有限公司), a company incorporated in BVI on April 28, 2005 and is wholly owned by Mr. Wang

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## DEFINITIONS

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“State,” “state,” or “PRC government”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof, or where the context requires, any of them
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilizing Manager (or its affiliates acting on its behalf) and Water Resources pursuant to which Water Resources will agree to lend up to 68,893,000 Shares to the Stabilizing Manager on terms set forth therein
“Strategic Investors”	Bai Jun and Victory Ride
“subsidiary(ies)”	has the meaning ascribed to it in section 2 of the Companies Ordinance
“Supplemental Survey Report”	<i>the Supplemental Survey and Appraisal Report of the Source of the Natural Spring Mineral Water of Qumaduo, Dangxiang County of Tibet</i> , issued by the Water Geology Environment Research Institute of the National Geology Academy of China in 2006
“Survey Report”	<i>the Geology Survey and Appraisal Report of the Source of the Natural Spring Mineral Water of Qumaduo, Dangxiang County of Tibet</i> , issued by the Geology and Resource Survey and Exploration Bureau of Tibet in 2002
“Tibet 5100”	Tibet 5100 Water Resources Ltd. (西藏5100水資源有限公司), a company incorporated in BVI on January 19, 2006 and a direct wholly-owned subsidiary of our Company
“Tibet Galaxy”	Tibet Galaxy Science & Technology Development Co., Ltd. (西藏銀河科技發展股份有限公司) (formerly known as Lhasa Brewery Company Limited (西藏拉薩啤酒股份有限公司) and renamed to its existing name on August 30, 2001), a company established in the PRC on June 20, 1997 and listed on the Shenzhen Stock Exchange (stock code: 000752), being an Independent Third Party
“Tibet Guangda”	Tibet Guangda Jinlian Industrial Co., Ltd. (西藏光大金聯實業有限公司) (formerly known as Sichuan Guangda Jinlian Industrial Co., Ltd. (四川光大金聯實業有限公司) and renamed to its existing name on December 10, 2010), a company established in the PRC and an Independent Third Party

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## DEFINITIONS

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“Tibet Zhongji”	Tibet Zhongji Jiahua Industry Co., Ltd. (西藏中稷佳華實業發展有限公司), a company established as a Chinese-Foreign Cooperative Joint Venture in the PRC on January 1, 2004 and an indirect wholly-owned subsidiary of our Company
“Tibwatres Investment”	Tibwatres Investment Ltd., a company incorporated in BVI on November 30, 2004 and wholly owned by Ms. Li
“Track Record Period”	the financial period comprising the three years ended December 31, 2008, 2009 and 2010
“True Asset”	True Asset Holdings Limited, a company incorporated in BVI on January 2, 2004 and a Controlling Shareholder
“Underwriters”	collectively, the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America
“Unlisted Shares”	the shares held by our Group’s pre-IPO investors that are not or were not (as the case may be) listed for trading on the Hong Kong Stock Exchange
“US\$”, “U.S. dollars” or “USD”	the lawful currency of the United States
“U.S. Exchange Act”	the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder
“U.S. Securities Act”	the United States Securities Act of 1933, as amended
“Victory Ride”	Victory Ride Holdings Limited (乘勝控股有限公司), a company incorporated in BVI on September 2, 2010, an indirect wholly-owned subsidiary of ICBCI Holdings and one of the pre-IPO Investors
“Vicwood”	Vicwood Investments Limited (永豪投資有限公司), a company incorporated in BVI on September 3, 2003 and an indirect wholly-owned subsidiary of our Company
“water card”	a card that allows a customer to purchase our bottled water in the form of a redeemable card that entitles the holder to call a hotline and receive delivery of the number of bottles of water represented by such card in China. Alternatively, the holder of such card may also choose to pick up the bottled water at designated collection points

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## DEFINITIONS

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“Water Co.”	Tibet 5100 Water Company Ltd. (西藏五一零零水業有限公司), a company established in the PRC on May 30, 2008, being an Independent Third Party as at the Latest Practicable Date
“Warrantors”	the Company, the Controlling Shareholders and Mr. Yu
“Water Resources”	Tibet Water Resources Limited (西藏水資源有限公司), a company incorporated in Samoa on May 29, 2006 and a Controlling Shareholder
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at <a href="http://www.eipo.com.hk">www.eipo.com.hk</a>
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Wilmar”	Wilmar International Limited, a company incorporated in Singapore and listed on the Singapore Exchange Securities Trading Limited (stock code: F34), being an Independent Third Party
“Zhongji Holdings”	Zhongji Holdings Co., Ltd. (中稷控股集團有限公司) (formerly known as Zhongji Investment Development Co. Ltd. (中稷投資發展有限公司) and renamed to its existing name on October 19, 2004), a company established in the PRC on August 19, 2002 and an Independent Third Party

*The English name of the PRC nationals, enterprises, entities, departments, facilities, certificates, titles and the like are translations of their Chinese names and are included for identification purpose only. In the event of any inconsistency between the Chinese names and their English translations, the Chinese names shall prevail.*

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed “Summary”, “Risk Factors”, “Industry Overview”, “Our Business”, “Financial Information” and “Future Plans and Use of Proceeds”. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under “Risk Factors”, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies;
- our beliefs as to our ability to make strategic acquisitions and investments to establish and maintain strategic relationships;
- our future business development, financial conditions and results of operations;
- our ability to successfully integrate acquired businesses;
- our ability to maintain and enhance our market position;
- our ability to expand market share;
- the future of the bottled water industry in China and overseas;
- competition from domestic and international bottled water manufacturers;
- the price and availability of our raw materials and utilities;
- our ability to increase manufacturing capacity and efficiency;
- our ability to attract additional distributors, customers and consumers and maintain relationships with our existing distributors, customers and consumers;
- our beliefs as to market demand of our product;
- our ability to maintain inventory levels that approximate the demand for our product;
- our ability to effectively protect our intellectual property and not infringe on the intellectual property and trade secrets of others;
- our ability to comply with environmental regulations;
- our ability to obtain the necessary permits, licenses, registrations and certificates to carry on our business;
- our dividend policy;

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## FORWARD-LOOKING STATEMENTS

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- our capital expenditure plans; and
- general economic and business conditions in the countries in which we operate.

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business;
- general economic, market and business conditions in China;
- macroeconomic policies of the PRC Government;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- the effects of competition in the bottled water industry on the demand for and price of our product;
- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

The Directors confirm that these forward-looking statements are made after due and careful consideration. Although our Directors believe that our Company’s current views as reflected in those forward-looking statements based on currently available information are reasonable, our Company can give no assurance that those views will prove to be correct, and the investors are cautioned not to place undue reliance on such statements.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the section headed “Risk Factors”.

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## RISK FACTORS

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**You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in our Shares. You should pay particular attention to the fact that we conduct most of our operations in the PRC, the legal and regulatory environment of which may differ in some respects from what prevails in other countries. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment.**

We believe that there are certain risks involved in our operations; many of these risks are beyond our control. These risks can be categorized into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting operations in China; and (iv) risks relating to the Global Offering. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we currently deem to be immaterial, could also harm our business, financial condition and results of operations.

### RISKS RELATING TO OUR BUSINESS

*We depend on CRE for a significant majority of our revenue and for its integrated logistics solution services. A deterioration in this relationship may cause a significant decline in our business, financial condition and results of operations.*

We currently generate a significant majority of our revenue from CRE. In 2008, 2009 and 2010, approximately 76.8%, 81.0% and 80.5% of our revenue was derived from our sales to CRE. We anticipate that our dependence on CRE will continue for the foreseeable future. Consequently, any one of the following events may cause material fluctuations or declines in our revenue or liquidity position and have a material adverse effect on our financial condition and results of operations:

- reduction, delay or cancellation of orders from CRE;
- distribution of our competitor's products by CRE; and
- failure of CRE to make timely payment for our product.

In addition, we rely on CRE as our primary partner for an integrated logistics solution, including warehousing and transportation of our bottled water out of Tibet and our raw materials into Tibet. Since we rely on CRE as both an institutional purchaser and as the primary provider of our integrated logistics solution, a deterioration in our relationship with CRE in either of these aspects would materially and adversely impact the other as well. As a result, any adverse development to our strategic relationship with CRE would impact our ability to deliver our product throughout China on a timely and cost effective basis and directly impact our sales to CRE as an institutional purchaser. Although we had successfully renewed our distribution agreements with CRE in 2008, 2009 and 2010,

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## RISK FACTORS

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we cannot assure you that the MOR and CRE will continue the strategic relationship with us in the future in the event of changes in management preferences, business strategy, corporate structure or other factors. Our failure to effect future renewals with CRE may adversely affect our strategic relationship with CRE which would have a material adverse effect on our business and results of operations.

***The recent investigations and changes in the senior management at the Ministry of Railways could have a negative effect on our strategic relationship with CRE.***

The Xinhua News Agency reported on February 12, 2011 that the minister of the Ministry of Railways, Liu Zhijun, was dismissed for “severe violations of discipline”. According to the same source, on March 2, 2011, Zhang Shuguang, the deputy chief engineer of the Ministry of Railways, was also dismissed for “severe violations of discipline”. A number of news articles have reported that the two individuals are currently under investigation for allegedly accepting a large amount of money in bribes in connection with purchasing of equipment for railway projects. Since the dismissal of Liu and Zhang, the National People’s Congress has appointed Sheng Guangzu as the new minister of the Ministry of Railways. Under the leadership of the new minister, the Ministry of Railways could decide to reevaluate its marketing or growth strategy or business practices, including those relating to its procurement process. To the best of our knowledge, our Company, executive Directors, non-executive Directors and Controlling Shareholders do not have any relationships with Mr. Liu or Mr. Zhang.

During the Track Record Period, sales to CRE, the procurement agent for the Ministry of Railways, has accounted for a large percentage of our revenues from the sales of our bottled water for distribution throughout the Ministry of Railways network. While we have entered into an agreement with CRE that provides a minimum purchase volume for the period of January 1, 2011 to December 31, 2013, we cannot assure you that , in the aftermath of the recent events, CRE will not attempt to renegotiate or terminate the agreement, which would have a material adverse effect on our results of operations. In addition, since we rely heavily on CRE to provide us with integrated logistics solution services, any adverse changes to our relationship with CRE could also impact our ability to transport raw materials to Tibet and our bottled water throughout China in a cost effective manner, which could have a material adverse effect on our business prospects and future results of operations. Any deterioration of our strategic relationship with CRE would have a material adverse effect on our business and results of operations. In addition, we cannot assure you that the significant publicity surrounding the recent events will not adversely affect our strategic relationships with our new customers, or affect our brand reputation in general.

***We rely on a single product of bottled glacial spring mineral water, which represents a significant risk to our business if this single product fails to generate revenue.***

Premium bottled glacial spring mineral water is currently our only product. If we are not able to maintain the profitability of this single product or establish a sustainable market for this product, we will have no alternative products to support the growth of our business. As a premium product, we rely heavily on the product’s brand name and our reputation to generate sales. Any event that generates negative publicity for us could have an adverse effect on the product’s brand name and our reputation, which in turn would affect our ability to market and sell our product. Our business, financial condition and results of operations may be materially and adversely affected as a result.



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## RISK FACTORS

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*Our reliance on a single water source represents a material risk to our business if the mineral content and quality of the spring water from that source are adversely affected due to changes in the surrounding geological environment or contamination to the water source.*

We draw our glacial spring mineral water from a single water source. Although the quality and supply of the spring water at this water source has not materially deteriorated since the water source was discovered in 1987, we cannot assure you that the supply of spring water at this water source will not be adversely affected by geological and other environmental change, such as climate change or global warming. In the event of climate change in the future, we cannot assure you that the average precipitation in the region or extractable volume of our water will not decrease. Any decrease in the extractable volume of our water in the future could have a material adverse effect on our business prospects and future results of operations. If the quality or supply of the spring water at our water source deteriorates due to environmental factors or otherwise, we may not be able to continue conducting our business as it is presently conducted and our business prospects would be materially and adversely affected as a result. In addition, despite the stringent protection measures we have taken to protect the water source, we cannot assure you that our water source will not become contaminated in the future. Any contamination of our single water source would affect our ability to produce bottled water from that source and consequently have a material adverse effect on our business and results of operations. If our water source is contaminated and we cannot find a replacement water source in a timely manner, our business operations could cease to operate.

*We have a limited operating history, which may make it difficult for you to evaluate our business and prospects.*

We began operations in 2006. Accordingly, we have a very limited operating history upon which you can evaluate the viability and sustainability of our business and acceptance of our product by customers and consumers. These circumstances may make it difficult for you to evaluate our business and prospects. In particular, our business model and ability to maintain profitability are unproven. In addition, although we have experienced significant revenue growth since we commenced operations, we cannot assure you that our revenue will continue to increase or that any increase will be at its historical levels. Furthermore, due to our short operating history and recent additions to our management team, some of our senior management and employees have only worked together at our company for a relatively short period of time. As a result, it may be difficult for you to evaluate the effectiveness of our senior management and other key employees and their ability to address future challenges to our business.

*We rely on our suppliers for raw materials.*

The most important raw material for our bottles is PET, and the AA content of the PET used to produce the bottles can affect the purity and taste of the water. We rely on two Independent Third Party suppliers, Yuanfang Industrial (Shanghai) Limited and Pulasi Packing Material Ltd., to supply our PET requirements. In 2008, 2009 and 2010, amounts purchased from these two suppliers, in the aggregate, accounted for approximately 45.3%, 16.4% and 40.3%, respectively, of our cost of sales. While we have not faced any shortages of PET in the past, we cannot assure you that we will be able to acquire sufficient quantities of PET that meet our quality control standards in the future. Any inability to secure adequate amounts of PET that meet our quality control standards could adversely

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## RISK FACTORS

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affect our production and have an adverse effect on our business and results of operations. We generally enter into contracts with our packaging material suppliers annually, including suppliers of PET, label stickers and cardboard cases. In the event these third-party suppliers fail to continue to supply such products to us in an amount sufficient for our production or deliver them in accordance with our production schedule, we may be unable to find a substitute supplier, which may impact our ability to maintain our production capabilities, lead to production interruptions and delay the delivery of our product to customers to meet changing market demands.

***We rely on various licenses and permits to operate our business, and the failure to renew any or all of these licenses and permits could materially adversely affect our business.***

In accordance with PRC laws and regulations, we are required to maintain various licenses and permits in order to operate our business at each of our production facilities including, without limitation, mining licenses (採礦許可證), food production permits (食品生產許可證) or industrial products production permits (工業產品生產許可證) and food circulation permits (食品流通許可證). We are also required to comply with applicable mining, hygiene and food safety standards in relation to our production and sale processes. Our production, sale, premises and transportation vehicles are subject to inspections by the regulatory authorities for compliance with the Mine Safety Law 《礦山安全法》, Food Safety Law 《食品安全法》, Measures for the Administration of Food Production Permits 《食品生產許可管理辦法》, Measures for the Administration of Food Circulation Permits (食品流通許可證管理辦法) and Detailed Rules for the Administration and Supervision of Quality and Safety in Food Production and Processing Enterprises (Trial) 《食品生產加工企業質量安全監督管理實施細則(試行)》, among others. Failure to pass these inspections, or failure to maintain the validity of or to renew our licenses and permits, could subject us to fines and the temporary or permanent suspension of some or all of our production activities, which in turn could disrupt our business operations and materially and adversely affect our results of operations. Mining rights for our water source are subject to inspections on an annual basis by the Tibet Autonomous Region Department of Land and Resources. As part of an annual inspection, the relevant authorities will consider whether our mining activities in the past year were in compliance with the relevant laws and regulations. If we are unable to meet the relevant requirements or found in a material breach of any laws or regulations, and as a result unable to pass the annual inspection, we will be penalized according to the relevant laws and regulations or given a deadline to rectify the breach. If we fail to rectify the breach within the given timeline, our mining rights could be revoked. While we have passed the annual inspections since 2006 when we first obtained the mining rights and have not been penalized to date, we cannot assure you that we will continue to pass the annual inspection of our mining rights in the future. Should these rights be suspended or revoked or we fail to pass the annual inspection, our operations and financial performance will be materially and adversely affected.

Under the Mineral Resource Law of the PRC, all mining enterprises must obtain exploration or mining permits prior to undertaking any exploration or mining activities and the exploration and mining permits are limited to a specific geographic area and time period. The mining permit is valid for a period of five years, subject to renewal. Our current mining permit will expire on August 19, 2015. As a result, whether we can carry out mining activities depends on our ability to obtain and renew mining permits from the relevant PRC authorities. Although we have successfully renewed our mining permit in the past, we cannot assure you that we will be able to renew our mining permit upon its expiration in the future. If we are unable to renew our mining permit upon its expiration, our business and results of operations will be materially and adversely affected.

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## RISK FACTORS

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***We rely on our production equipment produced by our suppliers in Germany and Canada, and any breakdowns would interrupt our production and could have a material adverse effect on our results of operations.***

We purchase our principal production equipment from Kronen in Germany and Husky in Canada. Our production facility is located at a high altitude, which could have an adverse effect on the durability and reliability of our production equipment. In addition, our remote location in Tibet could lengthen the amount of time necessary for our suppliers to repair any defective equipment. If any of our principal production equipment fails to perform, our production could be interrupted, which could have a material adverse effect on our business and results of operations.

***Our raw material costs may fluctuate significantly.***

Our primary raw material is PET. Since PET is produced from crude oil, an increase in the price of oil will likely result in an increase in the price of PET. During the Track Record Period, the price of PET has fluctuated significantly, in significant part affected by fluctuations in crude oil price. Our costs incurred for purchasing or producing PET bottle performs in 2008, 2009 and 2010 was RMB27.4 million, RMB33.1 million and RMB48.4 million, respectively, which accounted for 46.0%, 36.2% and 37.7% of our total cost of sales, respectively. PET prices under our supply contracts are negotiated as an order-by-order basis based on the then current market price. As a result, any increases in the price of PET due to fluctuations in the price of oil would increase our raw material costs and could have a material adverse effect on our results of operations.

***We rely on our distributors to sell our product to consumers through various points of sale and any disruptions in our distribution channels could have a material and adverse effect on our business.***

We rely on our distributors to sell our product to various points of sale, including hotels, restaurants, supermarkets and convenience stores. If our distributors are not able to effectively and efficiently supply our points of sale, our brand name, business and results of operations could be materially and adversely affected. We also provide some sales and marketing assistance to our distributors to help the distributors expand sales of our product, but we cannot assure you that our efforts will be effective. As our distributors function as independent businesses, we do not have any significant influence over the management decisions of our distributors, and our interests could diverge. Any disagreements with our distributors could strain our relationship and have a negative effect on our distribution network. In addition, any events that impact the reputation of our distributors could damage our distribution network and have a material adverse effect on our business.

Furthermore, prior to January 1, 2011, we made a significant portion of our non-CRE sales through Water Co., one of our distributors, which would then enter into agreements with our sub-distributors. We entered into a distribution agreement with Water Co., which was a company managed by Wilmar and functioned as part of a distribution network, after we sold a 25% equity interest in Tibet 5100 to Wilmar in order to further establish our relationship with Wilmar and sell our bottled water through the distribution network of Water Co. Through our arrangement with Water Co., sales and marketing services were provided free of charge. Wilmar did not make any commission or profit from the sale of our product through Water Co.; it only charged Water Co. at cost for any expenses incurred. Water Co. accounted for nil, 8.0% and 3.6% of our revenue in 2008, 2009 and 2010,

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## RISK FACTORS

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respectively. Beginning January 1, 2011, we no longer make any sales through Water Co. as Wilmar is no longer our shareholder and we have decided to enter into agreements directly with sub-distributors in order to increase the revenue from our direct sales to sub-distributors. We also hired some former marketing employees of Water Co. to enhance our ability to break into emerging markets. Also beginning on that day, we directly conduct sales and marketing activities and bear related expenses. There can be no assurance that our sales and marketing activities will be as effective as those conducted by Water Co. or that our activities will be conducted as efficiently as by Water Co.

***Our product, logos and brand names may be subject to counterfeiting or imitation, which could negatively impact our reputation and brand name as well as lead to higher administrative costs.***

Counterfeiting and imitation of many products has occurred in the past in China. The counterfeiting of our product has not had any material impact on our trading and financial position in the past three years ended December 31, 2010, but we cannot assure you that counterfeiting will not affect our future business and results of operations.

Our product is generally marketed under our primary “5100” trademark. We believe that our brand is essential to our success and our competitive advantage. Although we have registered the trademark of “5100” and other trademarks in the PRC and Hong Kong, there is no assurance that third parties will not infringe our intellectual property rights or that any of our trademark applications will not be challenged by third parties and will be successfully granted.

In addition, as with all operators in the bottled water industry in China, we are unable to guarantee that counterfeiting and imitation will not occur in the future and, if it does occur, whether we will be able to detect and deal with it effectively. While we request the relevant government authorities to take action to prevent the sale of any counterfeit products, we cannot assure you that the government will be able to effectively eliminate counterfeit products. Any counterfeiting or imitation of our product could impact negatively upon our reputation and brand name, and lead to loss of consumer confidence in our brand. In addition, counterfeit and imitation products could result in a reduction of our market share, causing a long-term or even permanent decline in our sales and profitability as well as increasing our administrative costs in respect of detection and prosecution, any of which could have a material adverse effect on our results of operations.

In addition, we have not yet completed the registration process for our trademark in Hong Kong. If we are unable to successfully complete the trademark registration process in Hong Kong, we cannot assure you that other parties will not try to claim our trademark or sell products under our trademark in Hong Kong, any of which could have a material adverse effect on our brand name and results of operations.

***Negative rumors or media coverage of our products could materially and adversely affect our reputation, business, financial condition and the price of our Shares.***

There has been negative media coverage concerning the scientific basis and effect on health of small molecular grouping water, which groups in clusters of 74 Hz while normal drinking water groups in clusters of 120 Hz. For example, in June 2010, there were news articles containing allegations made

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## RISK FACTORS

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against us, among others, that the existence of small molecular grouping water cannot be proven, and it is not beneficial to health. While the issue is still subject to further research, we cannot assure you that there will not be similar or other negative rumors or media coverage related to small molecular grouping water or our products in the future.

***Our success and ordinary operations are largely dependent on certain key personnel.***

Our senior management team has developed us into a leading premium bottled mineral water production company in China. Mr. Yu, together with other senior managers, has been instrumental in implementing our growth strategy. The successful management of our business is, to a considerable extent, also dependent on the services of our Chief Executive Officer, Mr. Fu Lin, and other senior managers. The loss of the services of any key management personnel or failure to recruit a suitable or comparable replacement could result in a material impact upon our ability to manage our business effectively and our business as well as future growth may be adversely affected.

***We experience seasonal fluctuations in demand for our product.***

Due to the nature of natural springs, the availability of our water resource is not affected by seasonality. However, demand and sales of bottled water in the PRC are higher from April to October each year as consumers in the PRC tend to consume more bottled water during the warmer months of the year. Purchases of water cards that are redeemable for direct delivery of our bottled water also fluctuate during the year, as the demand for such water cards has historically been higher from September to February each year due to the holiday seasons and the use of the water cards as gifts. Sales can also fluctuate during the course of a financial year for a number of other reasons, including weather conditions and the timing of advertising and promotional campaigns, which could contribute to fluctuations in our results of operations. Due to these fluctuations, comparisons of sales and operating results between the same periods within a single year, or between different periods in different financial years, are not necessarily meaningful and should not be relied on as indicators of our performance.

***Our results of operations may be adversely affected by natural disasters.***

Our business may be interrupted or otherwise affected by natural disasters, such as floods, droughts and earthquakes, that could cause damage to our production facilities, affect our water resources or hinder our ability to transport adequate raw materials to our production facilities and the transportation of our product from Tibet. In 2008 and 2010, the earthquakes that hit Dangxiong County did not cause any damage to our facilities. However, we do not maintain any insurance policies to cover loss of profits or other business interruption insurance, so any interruptions to our business or to the transportation of our raw materials caused by natural disasters or otherwise would have a material adverse effect on our business and results of operations.

***The unavailability or shortage of reliable and sufficient transportation capacity could reduce our revenue by causing us to reduce our production volume or impairing our ability to supply our product to our customers.***

We rely primarily on the MOR rail system to transport our bottled water. Transportation by rail is subject to inherent risks and delays due to mechanical malfunctions, weather, earthquakes or other

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## RISK FACTORS

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acts of God. Any such delays could impact our ability to supply our product to our customers, which would have a material adverse effect on our business relationships and results of operations. While we have not faced any shortage of transportation capacity during the Track Record Period, we cannot assure you that we will be able to continue securing sufficient allocation of transportation capacity or storage facilities at commercially acceptable prices in the future, which could limit our ability to expand our production volume and revenue and have a material adverse effect on our business prospects and future results of operations.

***Our expansion strategy may not prove successful.***

Expanding our revenue through sales to institutional purchasers represent an important part of our growth strategy. We recently signed sales agreements with BP-PetroChina JV, Air China and China Post, and entered into strategic cooperative agreements with CCBI and ICBCI Holdings. Our institutional purchasers may not be able to successfully sell our product, or our institutional purchasers may choose to purchase bottled water from our competitors for their internal consumption needs. If our institutional purchasers are not able to successfully establish a sales channel to sell our product or if our institutional purchasers discontinue or reduce purchases from us for any reason, our business prospects and future results of operations would be materially and adversely affected. We also intend to expand our retail sales in both existing markets, such as Beijing, Shanghai and Guangzhou, as well as in other cities in China. We will need to engage in various promotions and marketing activities in order to increase awareness and acceptance of our product and increase our market shares in new and existing markets. However, despite these efforts, we may have difficulty in successfully expanding the sale of our product. If we fail to generate sufficient sales in new markets or increase our sales in existing markets, we may not be able to recover the development, production, distribution, promotional and marketing expenses, as well as administrative expenses that we have incurred in developing such markets. Any inability to successfully execute our expansion strategy may have a material adverse effect on our revenue growth and profitability.

***We may be unable to manage future rapid growth.***

We have grown rapidly over the last few years. Our sales increased by 67.1% from RMB215.8 million in 2009 to RMB360.5 million in 2010. Our business growth could heavily burden our managerial, operational and financial resources. Our ability to manage future growth will depend on our ability to continue to implement and improve operational, financial and management information systems on a timely basis and to expand, train, motivate and manage our workforce. We cannot assure you that our personnel, support functions, operating procedures and internal controls will be adequate to support our future growth. Failure to effectively manage our expansion may lead to increased costs, a decline in revenue and reduced profitability.

***There is no guarantee that we will continue to receive the preferential tax treatment we currently enjoy.***

The rate of income tax chargeable on companies in China may vary depending on the availability of preferential tax treatment. According to the Several Rules on Attracting Business and Investment in Tibet (Zang Zheng Fa [1999] No.33) (西藏自治區關於招商引資的若干規定) (藏政發[1999]33號) and the Notice on Adjustment of Enterprise Income Tax of Tibet Autonomous Government (Zang

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## RISK FACTORS

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Zheng Fa [2008] No.78) (西藏自治區人民政府關於調整企業所得稅稅率的通知) (藏政發[2008]78號), enterprises established in Tibet will implement a transitional tax rate for 15% from 2008 to 2010, and enterprises in Tibet with foreign investment established before issuing of the new Enterprise Income Tax Law (企業所得稅法) will implement a transitional tax rate for 10% in 2008, 12% in 2009 and 15% in 2010. Furthermore, our subsidiary Glacier Water benefits from a preferential tax policy granted under-the-then effective laws for foreign invested enterprises, primarily engaged in manufacturing activities in the PRC that are scheduled to operate for not less than ten years, which granted it a full exemption from its enterprise income tax in the first and second years when a profit is made and a 50% reduction of its enterprise income tax in the third, fourth and fifth years. For the years ended December 31, 2008, 2009 and 2010, our effective tax rate on a combined basis was 8.1%, 6.8% and 13.2%, respectively. The expiration of preferential tax policies or changes to tax laws in the PRC could increase our tax liability, which would have an adverse effect on our results of operations.

***We benefit from government grants, the withdrawal of which could affect our operations.***

We have received government grants from time to time. In 2008, 2009 and 2010, we received government grants of approximately RMB0.002 million, RMB2.5 million and RMB2.5 million, respectively in relation to our subsidiary's fiscal contribution to the local economic development. In 2010, we are granted and received a subsidy income in the amount of RMB11.6 million from the local government to compensate our efforts to increase our production capacity, which will be examined and approved by the local government when the expansion is finally completed. Glacier Marketing, our indirect wholly-owned subsidiary, entered into the Governmental Grant Agreement with the Economic Development Bureau of Tibet Lhasa Economic and Technology Development Zone in May 2010, under which Glacier Marketing is granted with the enterprise development rewards, calculating with reference to Glacier Marketing fiscal contribution to the local government.

The amounts granted were determined and paid at the sole discretion of respective government authorities. We cannot assure you that the amounts of government grants given to us in the past represent an accurate indicator of any amounts to be paid in future periods. In the event that we are no longer eligible for government grants, our profitability and financial condition could be adversely affected.

***Our business and reputation may be affected by product liability claims, litigation, complaints or adverse publicity in relation to our product.***

Our product is made for consumption and any defects in our product could cause injury to our consumers. These injuries may result from product contamination or degeneration, including the presence of foreign contaminants, chemicals, substances or other agents or residues during the various stages of the procurement, production, transportation and storage processes. While we are subject to governmental inspections and regulations, in addition to our own quality control systems, we cannot assure you that consumption of our product will not cause a health-related illness in the future, or that we will not be subject to claims or lawsuits relating to such matters. We do not maintain product liability insurance, and we would be liable for the full amount of any damages awarded against us in any product liability claim.

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## RISK FACTORS

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Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that our product caused personal injury or illness could adversely affect our reputation with customers and our corporate and brand image. Under certain circumstances, we may be required to recall defective products. Any negative publicity or claims against us would have a material adverse effect on our brand name, business and results of operations.

***Historically we have faced certain risks relating to our loans to and advances from third parties.***

During the Track Record Period, we had certain short-term advances to and borrowings from other third parties to satisfy the temporary working capital needs; such advances and borrowings are unsecured, interest free, receivable/payable on demand. Although those transactions are common in the PRC, the advances and borrowings may be held by a PRC court to be invalid in the event that a dispute related to any particular loan or advance arises.

***Our Controlling Shareholders have substantial influence over our Company and their interests may not be aligned with your interests.***

Our Controlling Shareholders, which include Water Resources, Maple Essence, True Asset and Mr. Wang, our co-founder, control approximately 52.41% of our outstanding shares as of the date of this prospectus. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive our shareholders of an opportunity to receive a premium for your Shares as part of a sale of our Group. These actions may be taken even if they are opposed by our other shareholders.

***We had net current liabilities position as of December 31, 2008, 2009 and 2010.***

We had net current liabilities of approximately RMB67.1 million, RMB15.6 million and RMB7.0 million as of December 31, 2008, 2009 and 2010, respectively. We may have net current liabilities in the future. Having significant net current liabilities could constrain our operational flexibility as well as adversely affect our ability to expand our business. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to rely on external borrowings for funding. If adequate funds are not available, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, financial condition and results of operations may be materially and adversely affected.

***We have not obtained formal title certificates to some of the properties we occupy and some of our landlords lack relevant title certificates for properties leased to us, which may materially and adversely affect our rights to use such properties.***

As of December 31, 2010, certain of our subsidiaries have not obtained formal title certificates to some of the properties located in Dangxiong, including one of our production facilities. The gross floor area of the properties which the Group has not obtained valid title certificates is 15,561.03 square meters, accounting for 73.9% of our total properties. The authority which is responsible for the issuance of the title certificates does not have any certificate to issue because it is currently subject to an internal structures reform. Though the Housing and Construction Bureau of Dangxiong Country



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## RISK FACTORS

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has issued a confirmation letter on December 15, 2010, confirming that we have right title to relevant properties and will issue us the title certificates once they have certificates available, the lack of formal title certificates may restrict our capacity to transfer, mortgage or otherwise dispose such properties.

As of December 31, 2010, our landlords have not provided us with the relevant land use right certificates, building ownership certificates and/or real estate certificates with respect to some properties leased to us. If our landlords are not the owner or not authorized by the real owner to lease to the properties to us, we might need to seek alternative premises and incur additional costs relating to such relocations. In addition, we have not registered all the lease agreements with the relevant PRC authorities. Although the lack of registration may not affect the validity of such lease agreements, any third party in good faith may challenge such lease agreements and we may not be able to continue to lease such premises.

### RISKS RELATING TO OUR INDUSTRY

*We could be adversely affected by a change in consumer preferences, perception and spending patterns relating to bottled water, particularly premium bottled water.*

The bottled water industry in China is subject to changes in consumer preferences, perceptions and spending habits. Our performance depends on factors which may affect the level and patterns of consumer spending in China. Such factors include consumer preferences, consumer confidence, consumer incomes, consumer perceptions of the safety and quality of our bottled mineral water and consumer awareness of health issues. Media coverage regarding the safety or quality of, or health issues relating to, bottled water or the raw materials or processes involved in its manufacturing or bottling may damage consumer confidence in these products. A general decline in the consumption of our bottled mineral water could occur as a result of a change in consumer preferences, perceptions and spending patterns at any time and future success will depend partly on our ability to anticipate or adapt to such changes and to offer, on a timely basis, new promotion strategies that can draw consumers' attention. In addition, the growth in demand for premium products in the PRC, including premium bottled water, has been driven in part by the overall growth in the PRC economy and disposable income of consumers. Any macroeconomic changes in the PRC that adversely impact consumer consumption for premium products could have a material and adverse effect on our business and results of operations. Our failure to adapt our product offerings to respond to such changes may result in reduced demand and lower prices for our product and a decline in the market share of our product. Any changes in consumer preferences could result in lower sales of our product, apply downward pressure on pricing or lead to increased levels of selling and promotional expenses, resulting in a material adverse effect on our sales volume, revenue and profitability.

*The bottled water industry could face slower growth.*

In the period from 2005 to 2010, the sales volume of bottled water in China grew at a CAGR of 9.7%, increasing from 15,469 million liters in 2005 to 24,625 million liters in 2010. Over the same

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## RISK FACTORS

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period, China's nominal GDP grew at a CAGR of 16.1%. We cannot assure you that this industry will continue to grow at this rate in the future. In the past, Chinese consumers have traditionally consumed a low per capita volume of bottled water compared to western countries. The bottled water industry in China may experience slower growth in the future due to market saturation and competition from alternative products, such as other types of bottled beverages, which may impact upon the size and growth of the market for bottled water products. Growth in the market for bottled water products may also be impacted by changes in the purchasing behavior of Chinese consumers.

We cannot assure that the bottled water market in China will be able to continue the rapid growth rate it has experienced for the past three years or will be able to maintain the steady growth we expect. If the bottled water market in China does not grow as we expect, our sales volume, sales and profitability may be adversely affected.

***We face increasing competition from domestic and foreign companies, which may affect our market share and profit margins.***

The bottled water industry in China is highly competitive, and we expect competition to intensify. Currently, according to Euromonitor, there are over ten major bottled water enterprises operating in China, including domestic and foreign-invested enterprises, which account for nearly 75% of the overall consumption. Our ability to compete against these enterprises is, to a significant extent, dependent on our ability to distinguish our product from those of our competitors by providing high quality products at reasonable prices that appeal to consumers' tastes and preferences. Some of our competitors may have longer operating histories, may have substantially greater financial and other resources and may be better established in certain markets. Our competitors in any particular market may also benefit from raw material sources or production facilities that are closer to such markets, which provide them with competitive advantages in terms of costs and proximity to consumers.

We cannot assure you that our current or potential competitors will not provide products comparable or superior to those we provide or adapt more quickly than we do to evolving industry trends or changing market requirements. It is also possible that there will be significant consolidation in the bottled water industry among our competitors, alliances may develop among competitors and these alliances may rapidly acquire significant market share and some of our distributors may commence production of products similar to those we sell to them. Furthermore, competition may lead competitors to substantially increase their advertising expenditures and promotional activities or to engage in irrational or predatory pricing behavior. We also cannot assure you that third parties will not actively engage in activities, whether legal or illegal, designed to undermine our brand name and product quality or to influence consumer confidence in our product. Increased competition may result in price reductions, reduced margins and loss of market share, any of which could materially adversely affect our profit margins. We cannot assure you that we will be able to compete effectively against current and potential competitors in the future.

***Changes in the existing laws and regulations or additional or more stringent laws and regulations on environmental protection in China may cause us to incur significant capital expenditures, and we cannot assure that we will be able to comply with any such laws and regulations.***

We carry on our business in an industry that is subject to PRC environmental protection laws and regulations. These laws and regulations require enterprises engaged in manufacturing and construction

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## RISK FACTORS

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that may cause environmental waste to adopt effective measures to control and properly dispose of waste gases, waste water, industrial waste, dust and other environmental waste materials, as well as fee payments from producers discharging waste substances. We are subject to PRC laws and regulations concerning the discharge of waste water and solid waste during our manufacturing processes. We are required to obtain pollutant discharge permits from government authorities for the treatment and disposal of such discharge. Any violation of these regulations may result in substantial fines, criminal sanctions, revocation of operating permits, shutdown of our facilities and the obligation to take corrective measures. Fines may be levied against producers causing pollution. If failure to comply with such laws or regulations results in environmental pollution, the administrative department for environmental protection can levy fines. If the circumstances of the breach are serious, competent PRC environmental protection authorities may order the non-compliant operations to shut down. There can also be no assurance that the PRC government will not change the existing laws or regulations or impose additional or more stringent laws or regulations, compliance with which may cause us to incur significant capital expenditure, which we may be unable to pass on to our customers through higher prices for our product. In addition, we cannot assure that we will be able to continue to comply with any such laws and regulations. Due to the possibility of unanticipated regulatory or other developments, the amount and timing of future environmental expenditures may vary substantially from those currently anticipated. If there is any unanticipated change in applicable environmental regulations, we may need to incur substantial capital expenditures to install, replace, upgrade or supplement our pollution control equipment or make operational changes to limit any adverse impact or potential adverse impact on the environment in order to comply with the new environmental regulations. Our cost of complying with current and future environmental regulations, and liabilities which may potentially arise from the discharge of waste water and solid waste, may materially adversely affect our business, financial condition and results of operations.

***Changes in existing PRC food safety laws may cause us to incur additional costs to comply with the more stringent laws and regulations, which could have an adverse impact on our financial position.***

Manufacturers within the beverage industry in China are subject to compliance with PRC food safety laws and regulations. These food hygiene laws require all enterprises engaged in the production of food and beverages to obtain a license for each of their production facilities. They also set out hygiene standards with respect to food and food additives, packaging and containers, information to be disclosed on packaging as well as requirements for food production and sites, facilities and equipment used for the transportation and sale of food. Failure to comply with PRC food safety laws may result in fines, suspension of operations, loss of food production and circulation permits and, in more extreme cases, criminal proceedings against an enterprise and its management. Although we are in compliance with current food safety laws, in the event that the PRC government increases the stringency of such laws, our production and distribution costs may increase, and we may be unable to pass these additional costs on to our customers.

***We are subject to environment regulations and may encounter environmental issues which may have an adverse impact on our business.***

Recently, environmental protection groups have argued that PET bottles are not environmentally friendly and have commenced various activities against the bottled beverage industry, suggesting that

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## RISK FACTORS

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the manufacturing and disposal of PET bottles is highly polluting to the environment. Should the PRC government or consumers begin to accept this view, the government may impose more restrictions on PET bottles or consumers may become reluctant to purchase our product, and we may encounter difficulties in maintaining our sales and business.

### **RISKS RELATING TO CONDUCTING OPERATIONS IN CHINA**

Substantially all of our business assets are located in China, and substantially all of our sales are derived from China. Accordingly, our results of operations, financial position and prospects are subject to a significant degree to economic, political and legal developments in China.

*Political and economic policies of the PRC government may affect our business and results of operations and may result in our inability to sustain our growth and expansion strategies.*

The Chinese economy differs from the economies of most developed countries in many respects, including:

- its structure;
- level of government involvement;
- level of development;
- growth rate;
- level of capital reinvestment;
- control of capital reinvestment;
- foreign exchange;
- control of foreign exchange; and
- allocation of resources.

Since 1978, the PRC government has promulgated various reforms of its economic system and government structure. These reforms have resulted in significant economic growth and social progress for China in the last two decades. Many of the reforms are unprecedented or experimental, and such reforms are expected to be modified from time to time. Although we believe these reforms will have a positive effect on our overall and long-term development, we cannot predict whether changes in China's political, economic and social conditions, laws, regulations and policies will have any materially adverse effect on our current or future business, results of operation or financial condition.

Our ability to continue to expand our business is dependent on a number of factors, including general economic and capital market conditions in China and credit availability from banks and other lenders in China. Recently, the PRC government has implemented various measures to control the rate

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## RISK FACTORS

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of economic growth and tighten its monetary policies, including increasing interest rates on bank loans and deposits and tighten the money supply to control lending growth. Stricter lending policies may, among other things, affect our ability to obtain financing and may in turn adversely affect our growth and profitability over time. In addition, the economic and market conditions in China that existed over the past three years may not continue and we therefore may not be able to sustain the growth rate we have historically achieved.

***Changes in foreign exchange regulations and fluctuation in the value of the Renminbi may adversely affect our business and results of operations and our ability to remit dividends.***

Substantially all of our revenue and expenses are denominated in Renminbi, while the net proceeds from the Global Offering and any dividends we pay on our Shares will be in Hong Kong dollars. In addition, our machinery purchases from foreign countries, such as production equipment from Germany, are paid in foreign currencies such as the Euro, U.S. dollar and Yen. Therefore, fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar, U.S. dollar, Euro and Yen will affect the relative purchasing power in Renminbi terms of the proceeds from the Global Offering. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our PRC subsidiaries.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in China's and international political and economic conditions and the PRC government's fiscal and currency policies. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On July 21, 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand and reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2.1% against the U.S. dollar. From July 21, 2005 to December 31, 2010, the value of the Renminbi appreciated by approximately 25.4% against the U.S. dollar. In August 2008, China revised the PRC Foreign Exchange Administration Regulations 《中華人民共和國外匯管理條例》 to promote the reform of its exchange rate regime. It is expected that China may further reform its exchange rate system in the future.

In addition, conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. The Renminbi still cannot be freely converted into any other foreign currency. Pursuant to China's current foreign exchange control system, it cannot be guaranteed that under a certain exchange rate, there shall be sufficient foreign exchange to meet the foreign exchange requirement of an enterprise. Under China's current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the State Administration of Foreign Exchange or its local counterparts, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the right to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, must be approved in advance by the State Administration of Foreign Exchange or its local counterparts. Any insufficiency

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## RISK FACTORS

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of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange requirement. If we fail to obtain the approval from the State Administration of Foreign Exchange to convert Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our business results and financial conditions, may be materially adversely affected.

***Dividends payable to us by our PRC subsidiaries and gain on sale of the Shares may be subject to PRC withholding taxes, or we may be subject to PRC taxation on our worldwide income and dividends distributed to our investors may be subject to PRC withholding taxes under the EIT Law.***

We are incorporated under the laws of the Cayman Islands. According to the Circular of Ministry of Finance and the State Taxation Administration on Several Preferential Policies Relevant to Enterprise Income Tax, the undistributed profits earned by foreign investment enterprises prior to January 1, 2008 and distributed to foreign investors later shall be exempt from PRC withholding tax, whereas the profits earned and distributed after January 1, 2008 shall be subject to PRC withholding tax pursuant to the new Enterprise Tax Law.

The new Enterprise Tax Law prescribes a standard withholding tax rate of 20% on dividends and other China-sourced passive income of non-resident enterprises. The Implementation Regulations reduced the rate from 20% to 10% which was effective from January 1, 2008.

In addition, under the EIT Law, enterprises organized under the laws of jurisdictions outside China with their “de facto management bodies” located within China may be considered PRC resident enterprises and therefore may be subject to PRC corporate income tax at the rate of 25% on their worldwide income. If we become a PRC resident enterprise under the new EIT Law and receive income other than dividends, our profitability and cash flow would be adversely impacted due to our worldwide income being taxed in China under the EIT Law.

If we were deemed to be a PRC resident enterprise, dividends we pay with respect to the Shares, or the gain you may realize from the transfer of the Shares, would be treated as income derived from sources within the PRC and be subject to PRC tax. If we are required under the EIT Law to withhold PRC income tax on dividends payable to our non-PRC investors that are “non-resident enterprises” or individuals, or if you are required to pay PRC income tax on the transfer of the Shares, the value of your investment in the Shares may be materially and adversely affected. Due to the PRC dividend withholding tax, depending on the tax jurisdiction of the receiver, we may incur incremental PRC tax liabilities when PRC profits are distributed to ultimate shareholders.

***We are a holding company that heavily relies on dividend payments from our subsidiaries and associated companies for funding.***

We are a holding company incorporated in the Cayman Islands and operate our core business through our subsidiaries and associated companies in China. Therefore, the availability of funds to us to pay dividends to our shareholders and to service our indebtedness depends upon dividends received from these subsidiaries and associated companies. If our subsidiaries and associated companies incur debt or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends and to service our indebtedness will be

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## RISK FACTORS

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restricted. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign-invested enterprises, such as some of our subsidiaries in China, to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities, convertible bonds instrument or other agreements that we or our subsidiaries and associated companies may enter into in the future may also restrict the ability of our subsidiaries and associated companies to make contributions to us and our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our shareholders and to service our indebtedness.

***PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiaries to liabilities or penalties, limit our ability to contribute capital to our PRC subsidiaries, limit our PRC subsidiaries' ability to increase its registered capital or distribute profits to us, or may otherwise adversely affect us.***

On October 21, 2005, the State Administration of Foreign Exchange (the “SAFE”) issued a new public notice (the “Circular 75”) which became effective on November 1, 2005. The notice requires PRC residents to register with the local SAFE branch before establishing or controlling any company, referred to in the notice as a “special purpose offshore company”, outside of China for the purpose of acquiring any assets of or equity interest in PRC companies and raising funds from overseas. In addition, any such PRC resident is required to update the previously filed registration to reflect any material alteration in the capital of such SPV involving no roundtrip investment, such as the merger of, and the long-term equity or debt investment by, the SPV. If any PRC shareholder of the SPV fails to make or update the required registration, the PRC subsidiaries of that SPV may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to the SPV, and similarly, the SPV may also be prohibited from contributing additional capital into its PRC subsidiaries. Furthermore, failure to comply with the foregoing requirements could result in liability under the PRC laws for evasion of applicable foreign exchange restrictions.

As specified in Circular 75, a “special purpose company” (the “SPV”) as mentioned here shall refer to an overseas enterprise directly established or indirectly controlled by a domestic resident legal person or domestic resident natural person for the purpose of engaging in equity financing (including convertible bond financing) abroad with the enterprise assets or equity interests it/he/she holds inside China. Our PRC counsel has advised us that, since we are not established or controlled, directly or indirectly, by any domestic resident legal person or natural person, we are not a special purpose company defined under Circular 75 and our shareholders shall not be regulated by Circular 75. However, we cannot assure you that the PRC regulatory authorities will not issue new regulations or further interpretations of Circular 75 or other current PRC laws and regulations that may require our beneficial owners file and/or amend their registration with the local SAFE branch. A failure of the aforesaid shareholders or beneficial owners of our shares who are PRC residents to comply with these regulations and rules in the future could subject us to fines or legal sanctions, including restrictions on our PRC subsidiaries' ability to pay dividends or make distributions to, or obtain foreign-currency-dominated loans from, us, and our ability to increase our investment in China. As a result, our business and results of operations and our ability to distribute profits to you could be materially and adversely affected.

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## RISK FACTORS

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***Interpretation of PRC laws and regulations involves uncertainty that could adversely affect our business and results of operations and the value of our Shares.***

Our business and operations in China are governed by the legal system of China. The PRC legal system is based on written status. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with such economic matters as foreign investment, corporate organization and governance, commence, taxation and trade. However, as these laws and regulations are relatively new and continue to evolve, interpretation and enforcement of these laws and regulations involve significant uncertainties and different degrees of inconsistency. Some of the laws and regulations are still at a developing stage and are therefore subject to policy changes. Many laws, regulations, policies and legal requirements have only been recently adopted by PRC central or local government agencies, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for reference. We cannot predict the effect of future legal developments in China, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national law. As a result, there is substantial uncertainty as to the legal protection available to us and investors in the Shares. Furthermore, due to the limited volume of published cases and the non-binding nature of prior court decisions, the outcome of dispute resolution may not be as consistent or predictable as in other more developed jurisdictions, which may limit the legal protection available to us. In addition, any litigation in China may be protracted and result in substantial costs and the diversion of resources and management attention.

As an investor holding our Shares, you hold an indirect interest in our operations in China through our Company. Our operations in China are subject to PRC regulations governing PRC companies. These regulations contain provisions that are required to be included in the articles of association of PRC companies and are intended to regulate the internal affairs of these companies. The PRC Company Law and these regulations, in general, and the provisions for the protection of shareholders' rights and access to information, in particular, are less developed than those applicable to companies incorporated in Hong Kong, the United States and other developed countries or regions. Therefore, you do not enjoy those shareholder protections that are available in more developed jurisdictions.

***It may be difficult to effect service of process upon us or our Directors or executive officers who live in China or to enforce against them in the PRC judgments obtained from non-PRC courts.***

A significant portion of our assets and our subsidiaries are located in China. In addition, most of our Directors and officers reside within China, and the assets of our Directors and officers may also be located within China. As a result, it may not be possible to effect service of process outside China upon most of our Directors and officers, including matters arising under applicable securities laws. Moreover, a judgment of a court of another jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a treaty with China or if judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of other requirements. We have been advised by our PRC counsel that China does not have treaties providing for the reciprocal enforcement of judgments of courts with Japan, the United Kingdom, the United States and most other western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments



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## RISK FACTORS

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with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in these jurisdictions in relation to any matter not subject to a binding arbitration provision is subject to uncertainties.

In addition, although we will be subject to the Hong Kong Listing Rules and the Hong Kong Code on Takeovers and Mergers or Hong Kong Takeover Code upon the listing of our Shares on the Hong Kong Stock Exchange, the holders of our Shares will not be able to bring actions on the basis of violations of the Hong Kong Listing Rules and must rely on the Hong Kong Stock Exchange to enforce its rules. Furthermore, the Hong Kong Takeover Code does not have the force of law and provides only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

***We face risks related to health epidemics and other outbreaks of contagious diseases, including avian flu, SARS and swine flu.***

Our business could be adversely affected by the effects of avian flu, SARS, swine flu or another epidemic or outbreak. During April and May 2009, there were outbreaks of highly pathogenic swine flu, caused by the H1N1 virus, in certain regions of the world, including parts of Asia. In 2007 and early 2008, there were reports of outbreaks of a highly pathogenic avian flu, caused by the H5N1 virus, in certain regions of Asia and Europe. An outbreak of contagious diseases, and other adverse public health developments in China, would have a material adverse effect on our business operations. These could include restrictions on our ability to travel or to ship our product outside of China, as well as cause temporary closure of our manufacturing facilities. Such closures or travel or shipment restrictions would severely disrupt our operations and adversely affect our financial condition and results of operations. We have not adopted any written preventive measures or contingency plans to combat any future outbreak of avian flu, SARS, swine flu or any other epidemic.

***The national and regional economies of China and our business prospects may be adversely affected by natural disasters, acts of God and the occurrence of epidemics.***

In March 2011, Japan was struck by a 9.0-magnitude earthquake, which was followed by a severely destructive tsunami resulting in a radiation leak at the Fukushima nuclear power plant. Although these recent events in Japan have not had an immediate direct impact on our operations, we cannot assure you that these events will not have any subsequent adverse effect on the national and regional economies of China and our business prospects. In part due to such events, the Chinese economy may experience declining stock prices as Japanese investment firms, having significant investments across the world's capital markets, including those of China, withdraw Japanese funds in order to support reconstruction efforts in Japan. Such withdrawal of Japanese funds may lead to a decline in stock prices in China's stock markets in the short term. In addition, as most nuclear power plants of Japan have since suspended operations, Japan will, in the short term, increasingly depend on crude oil to meet its energy needs. Crude oil prices, which were already on an upward trend, may therefore further spike as a result of the events in Japan. A rise in crude oil prices may also in turn impact the national and regional economies of China in the short term. As any other major earthquake,

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## RISK FACTORS

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typhoon, flood, drought or other natural disaster around the world could also adversely affect the market and crude oil prices, we cannot assure you that natural disasters, acts of God and the occurrence of epidemics will not have a material effect on the national and regional economies of China and, correspondingly, our business prospects.

***The enforcement of the PRC Labor Contract Law and other labor-related regulations in the PRC may adversely affect our business and results of operations.***

On 29 June 2007, the National People's Congress of China enacted the Labor Contract Law, which became effective on 1 January 2008. Compared to the Labor Law, the Labor Contract Law establishes more restrictions and increases the cost to employers upon termination of employees, including specific provisions related to fixed-term employment contracts, temporary employment, probation, consultation with the labor union and employee general assembly, employment without a contract, dismissal of employees, compensation upon termination and overtime work, and collective bargaining. According to the Labor Contract Law, an employer is obligated to sign an unlimited term labor contract with an employee if the employer continues to employ the employee after two consecutive fixed term labor contracts or the employee has already worked for the employer for ten years consecutively. The employer also has to pay compensation to employees if the employer terminates an unlimited term labor contract. Unless an employee refuses to extend an expired labor contract, compensation is also required when the labor contract expires and the employer does not extend the labor contract with the employee under the same terms or terms which are better than those in the original labor contract. Furthermore, under the Regulations on Paid Annual Leave for Employees, which became effective on January 1, 2008, employees who have served more than one year with an employer are entitled to a paid vacation ranging from five to fifteen days, depending on their length of service. Employees who waive such vacation time at the request of employers shall be compensated at three times their normal salaries for each waived vacation day. As a result of these new protective labor measures, our labor costs may increase. We cannot assure you that any disputes, work stoppages or strikes will not arise in the future.

***Our business may be adversely impacted by the political and social changes in Tibet.***

As a company operating primarily in Tibet, China, we face significant political and economic risks. Our sole water source and all of our production facilities are located in Tibet, and as a result, we are subject to certain risks and uncertainties related to Tibet. Operating in China, usually involves great uncertainties relating to political and economic matters. We believe that the government of China strongly supports the development of China's natural resources by foreign operators. However, future changes in political and economic conditions in China may result in the Chinese government adopting different policies respecting foreign development and ownership of mineral and land resources. The possibility that the government of China may in the future adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out. In particular, any government policy changes or social instabilities in Tibet in the future could have a material adverse effect on our business operations and results of operations.

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## RISK FACTORS

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### RISKS RELATING TO THE GLOBAL OFFERING

*There has been no prior public market for our shares, and the liquidity and market price of our shares may be volatile.*

Prior to the listing of our shares on the Hong Kong Stock Exchange, there has been no public market for our shares. The Offer Price will be the result of negotiations between the Joint Bookrunners (on behalf of the Underwriters) and us, and may differ from the market prices for our shares after listing. We have applied to the Hong Kong Stock Exchange for the listing of, and permission to deal in, our shares. However, there is no assurance that the listing of our shares on the Hong Kong Stock Exchange will result in the development of an active and liquid public trading market for our shares. The market price, liquidity and trading volume of our shares may be volatile. There can be no assurances as to the ability of the holders to sell their shares or the price at which the shares can be sold.

*Our share price may be volatile, which could result in substantial losses for investors purchasing Offer Shares in the Global Offering.*

The pricing and trading volume of our shares may be volatile. The market price of our shares may fluctuate significantly and rapidly as a result of the following factors, amongst others, some of which are beyond our control:

- variations in the results of our operations (including variations arising from foreign exchange rate fluctuations);
- changes in securities analysts' estimates of our financial performance;
- announcement by us of significant acquisitions, strategic alliances or joint ventures;
- addition or departure of key personnel;
- fluctuations in stock market prices and volume;
- involvement in litigation; and
- general economic and stock market conditions.

Stock markets and the shares of Chinese companies have experienced increasing price and volume fluctuations in recent years, some of which have been unrelated or disproportionate to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the market price of our shares.

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## RISK FACTORS

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***Concentrated ownership and certain groups of shareholders may exercise substantial control over us and may not act in the best interest of independent shareholders.***

Following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, Mr. Wang will effectively own approximately 46.54% of our shares in issue, will be in a position to exert significant influence over the affairs of our Company, and will be able to influence the outcome of any shareholders' ordinary resolutions, irrespective of how other shareholders vote. The interest of these shareholders may not necessarily be aligned with those of independent shareholders, and this concentration of ownership may also have the effect of delaying, deferring or preventing a change in control of our Company.

***Since the Offer Price of the Offer Shares is higher than the net tangible book value per Offer Share, you will incur immediate dilution.***

On the assumption that the Over-allotment Option is not exercised and without taking into account any changes in our net tangible assets after December 31, 2010 other than to give effect to the sale of our shares pursuant to the Global Offering, assuming an Offer Price of HK\$3.06 (being the mid-point of the indicative Offer Price range), and after deduction of estimated underwriting fees and expenses, our pro forma net tangible book value of the Group attributable to our equity holders as at December 31, 2010 would have been approximately RMB1,366.0 million, or a pro forma adjusted net tangible book value of RMB0.55 per share. Therefore, purchasers of our shares in the Global Offering will experience an immediate dilution. If the underwriters exercise their Over-allotment Option or if we issue additional shares in the future, purchasers of our shares may experience further dilution.

***You may face difficulties in protecting your interests because we are incorporated in the Cayman Islands and, under Cayman Islands law, protection to minority shareholders may differ from those established under the laws of Hong Kong or other jurisdictions.***

Our corporate affairs are governed by our memorandum and articles of association, and by the Cayman Island Companies Law and the common law of the Cayman Islands. Cayman Islands law relating to the protection of the interests of minority shareholders differs in some respects from that established under statutes and under judicial precedents in Hong Kong or other jurisdictions. Such differences may mean that the remedies available to our minority shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. See Appendix V for further information.

***We cannot guarantee the accuracy of facts and other statistics with respect to China, the PRC economy and the PRC bottled water industry contained in this prospectus.***

Facts and other statistics in this prospectus relating to China, the PRC economy and the PRC bottled water industry have been derived from various official government publications we generally believe to be reliable. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Underwriters or any of our or their respective affiliates or advisors and we therefore make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. We have, however, taken

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## RISK FACTORS

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reasonable care in the reproduction or extraction of the official government publications for the purpose of disclosure in this prospectus. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, these facts and statistics in this prospectus may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. Therefore, you should not unduly rely upon the facts and statistics with respect to China, the PRC economy and the PRC bottled water industry contained in this prospectus.

***A potential sale of shares by our existing Shareholders could have an adverse effect on our Share price.***

Future sales of a substantial number of our Shares by our existing Shareholders, or the possibility of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by our Controlling Shareholders, are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Hong Kong Stock Exchange, details of which are set out in the section headed “Underwriting”. While we are not aware of any intentions of our Controlling Shareholders to dispose of significant amounts of its Shares after the completion of the lock-up periods, we are not in a position to give any assurances that it will not dispose of any Shares it may own now or in the future.

***Investors should read the entire prospectus carefully and should not consider any particular statements in this prospectus or in published media reports without carefully considering the risks and other information contained in this prospectus.***

There has been coverage in the media regarding the Global Offering and our operations. Further, the June 15, 2011 edition of the Ming Pao newspaper contained an article that reported on our estimated valuation. We do not accept any responsibility for the accuracy or completeness of the information and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. To the extent that any of the information in the media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any of the information in press articles or other media coverage.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

### **THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS**

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it is correct as at any subsequent time.

### **UNDERWRITING**

For applicants under the Hong Kong Public Offering, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the International Placing of initially 413,360,000 Offer Shares and the Hong Kong Public Offering of initially 45,930,000 Offer Shares, each subject to the re-allocation on the basis as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. Subject to the terms of the Underwriting Agreements, the Hong Kong Offer Shares are fully underwritten by the Hong Kong Underwriters and the International Placing Shares are fully underwritten by the International Underwriters. Further information regarding the Underwriters and the underwriting arrangements are set out in the section headed "Underwriting" in this prospectus.

### **INFORMATION ON THE GLOBAL OFFERING**

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the related Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the related Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Joint Global Coordinators, the Joint Sponsors, the Underwriters and any of their respective directors, officers, employees, agents or representatives or any other persons involved in the Global Offering.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **SELLING RESTRICTIONS**

Each person acquiring the Hong Kong Offer Shares will be required to, or be deemed by his acquisition of the Hong Kong Offer Shares to, confirm that he is aware of the restrictions on offers and sales of the Hong Kong Offer Shares described in this prospectus and the related Application Forms.

No action has been taken to permit a Hong Kong Public Offering of the Offer Shares or the general distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold directly or indirectly, in the PRC or the U.S.

### **APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE**

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Except for our pending application to the Hong Kong Stock Exchange for the listing of, and permission to deal in the Shares, no part of the Company's share or loan capital is listed or dealt in on the Hong Kong Stock Exchange or any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of listing of, and permission to deal in, the Shares on the Hong Kong Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Offer Shares or exercising any rights attached to them. Our Company, the Joint Global Coordinators, the Joint Sponsors, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering do not accept responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, the Offer Shares or exercising any rights attached to them.

### **HONG KONG REGISTER OF MEMBERS AND HONG KONG STAMP DUTY**

Our Company's principal register of members will be maintained by its principal share registrar and transfer office, Codan Trust Company (Cayman) Limited, in the Cayman Islands. All of the Shares allocated pursuant to the Global Offering will be registered on the Company's register of members to be maintained in Hong Kong by its Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited.

Dealings in the Shares registered in our Company's Hong Kong register of members will be subject to Hong Kong stamp duty.

### **OVER-ALLOTMENT AND STABILIZATION**

Details of the arrangement relating to the Over-allotment Option and stabilization are set out under the section headed "Structure and Conditions of the Global Offering — Over-allocation and stabilization" in this prospectus.

### **PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES**

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" of this prospectus and on the related Application Forms.

### **STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING**

Particulars of the structure of the Global Offering, including its conditions, are set out in the section of this prospectus headed "Structure and Conditions of the Global Offering".

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on the Hong Kong Stock Exchange are expected to commence on Thursday, June 30, 2011. Shares will be traded in board lots of 1,000 Shares each.



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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **CURRENCY TRANSLATIONS**

Where amounts denominated in US\$ or RMB have been translated, for the purpose of illustration only, into Hong Kong dollars in this prospectus, the applicable rates have been disclosed therein.

No representation is made that any amounts in US\$ or RMB can be or could have been at the relevant dates converted at the rates disclosed in this prospectus or at any other rates or at all.

### **LANGUAGE**

In this prospectus, if there is any inconsistency between the Chinese name of the entities or enterprises established in China, PRC nationals, PRC Government entities or PRC laws and regulations and their English translations, the Chinese name shall prevail. English translations of names of entities or enterprises established in China and the PRC laws and regulations are for identification purpose only.

### **ROUNDING**

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Yu Yiping Wallace (俞一平)	Flat 8, 16/F, Block B Causeway Centre 28 Harbour Road, Wanchai, Hong Kong	Chinese
Mr. Fu Lin (付琳)	Room 506, Tower E 88 Zizhuyuan Road Haidian District, Beijing PRC	Chinese
Mr. Yue Zhiqiang (岳志强)	Room 402, Unit 4 135 Shandong Road Shibei District, Qingdao Shandong Province PRC	Chinese
Ms. Mou Chunhua (牟春華)	No.11, Unit 2, Block 1 2 Chenghua Lane Jinniu District, Chengdu Sichuan Province PRC	Chinese
Mr. Liu Chen (劉晨)	Flat B, 6/F, Fullview Court 32 Fortress Hill Road Fortress Garden, North Point Hong Kong	Chinese
<i>Non-executive Director</i>		
Ms. Jiang Xiaohong (姜曉虹)	No.101, Unit 3, Block 137 Wenquan Road West Shuimogou District, Urumchi Xinjiang Uyghur Autonomous Region PRC	Chinese

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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Name	Address	Nationality
<i>Independent Non-executive Directors</i>		
Mr. Jesper Bjoern Madsen (麥奕鵬)	Nordre Strandvej 50 Højstrup 3000 Helsingør Denmark	Danish
Mr. Lee Kong Wai, Conway (李港衛)	House A9 Europa Garden 48 Kwu Tung Road Sheung Shui, New Territories Hong Kong	Chinese
Mr. Wei Cheng, Kevin (蔚成)	3-2-132, Liang Ma Qiao DRC, Section B 19 Dong Fang East Road Chaoyang District, Beijing China, 100600	American

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### PARTIES INVOLVED IN THE GLOBAL OFFERING

#### Joint Global Coordinators

J.P. Morgan Securities (Asia Pacific) Limited  
28/F, Chater House  
8 Connaught Road Central  
Hong Kong

CCB International Capital Limited  
34/F, Two Pacific Place  
88 Queensway, Admiralty  
Hong Kong

#### Joint Sponsors

J.P. Morgan Securities (Asia Pacific) Limited  
28/F, Chater House  
8 Connaught Road Central  
Hong Kong

CCB International Capital Limited  
34/F, Two Pacific Place  
88 Queensway, Admiralty  
Hong Kong

ICBC International Capital Limited  
Levels 17 & 18, Three Pacific Place  
1 Queen's Road East  
Hong Kong

CITIC Securities Corporate Finance (HK) Limited  
26/F, CITIC Tower  
1 Tim Mei Avenue, Central  
Hong Kong

#### Joint Bookrunners

*Hong Kong Public Offer*

J.P. Morgan Securities (Asia Pacific) Limited  
28/F, Chater House  
8 Connaught Road Central  
Hong Kong

CCB International Capital Limited  
34/F, Two Pacific Place  
88 Queensway, Admiralty  
Hong Kong

ICBC International Capital Limited  
Levels 17 & 18, Three Pacific Place  
1 Queen's Road East  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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CITIC Securities Corporate Finance (HK) Limited  
26/F, CITIC Tower  
1 Tim Mei Avenue, Central  
Hong Kong

Oriental Patron Securities Limited  
27/F, Two Exchange Square  
8 Connaught Place  
Hong Kong

*International Placing*  
J.P. Morgan Securities Ltd.  
125 London Wall  
London EC2Y 5AJ  
United Kingdom

CCB International Capital Limited  
34/F, Two Pacific Place  
88 Queensway, Admiralty  
Hong Kong

ICBC International Capital Limited  
Levels 17 & 18, Three Pacific Place  
1 Queen's Road East  
Hong Kong

CITIC Securities Corporate Finance (HK) Limited  
26/F, CITIC Tower  
1 Tim Mei Avenue, Central  
Hong Kong

Oriental Patron Securities Limited  
27/F, Two Exchange Square  
8 Connaught Place  
Hong Kong

**Joint Lead Managers  
(Hong Kong Public Offer)**

J.P. Morgan Securities (Asia Pacific) Limited  
28/F, Chater House  
8 Connaught Road Central  
Hong Kong

CCB International Capital Limited  
34/F, Two Pacific Place  
88 Queensway, Admiralty  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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ICBC International Securities Limited  
Levels 17 & 18, Three Pacific Place  
1 Queen's Road East  
Hong Kong

CITIC Securities Corporate Finance (HK) Limited  
26/F, CITIC Tower  
1 Tim Mei Avenue, Central  
Hong Kong

Oriental Patron Securities Limited  
27/F, Two Exchange Square  
8 Connaught Place  
Hong Kong

**Co-Lead Manager  
(Hong Kong Public Offer)**

First Shanghai Securities Limited  
19th Floor, Wing On House  
71 Des Voeux Road  
Central  
Hong Kong

**Joint Lead Managers  
(International Placing)**

J.P. Morgan Securities Ltd.  
125 London Wall  
London EC2Y 5AJ  
United Kingdom

CCB International Capital Limited  
34/F, Two Pacific Place  
88 Queensway, Admiralty  
Hong Kong

ICBC International Securities Limited  
Levels 17 & 18, Three Pacific Place  
1 Queen's Road East  
Hong Kong

CITIC Securities Corporate Finance (HK) Limited  
26/F, CITIC Tower  
1 Tim Mei Avenue, Central  
Hong Kong

Oriental Patron Securities Limited  
27/F, Two Exchange Square  
8 Connaught Place  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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**Legal Advisors to Our  
Company**

*As to Hong Kong Law:*  
Sit, Fung, Kwong & Shum  
18th Floor, Gloucester Tower, The Landmark  
11 Pedder Street, Central  
Hong Kong

*As to United States Law:*  
Simpson Thacher & Bartlett LLP  
ICBC Tower, 35th Floor  
3 Garden Road, Central  
Hong Kong

*As to PRC Law:*  
Jingtian & Gongcheng  
34/F, Tower 3, China Central Place  
77 Jianguo Road, Chaoyang District  
Beijing, PRC

*As to Cayman Islands Law:*  
Conyers Dill & Pearman  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

**Legal Advisors to the Joint  
Sponsors and Underwriters**

*As to Hong Kong and United States Laws:*  
Skadden, Arps, Slate, Meagher & Flom  
42/F, Edinburgh Tower, The Landmark  
15 Queen's Road Central  
Hong Kong

*As to PRC Law:*  
Commerce & Finance Law Offices  
6th Floor, NCI Tower  
A12 Jianguomenwai Avenue  
Beijing 100022  
PRC

**Reporting Accountant**

PricewaterhouseCoopers  
22/F, Prince's Building  
Central  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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**Property Valuer**

Jones Lang LaSalle Sallmanns Limited  
17th Floor, Dorset House  
TaiKoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

**Receiving Bankers**

Industrial and Commercial Bank of China (Asia) Limited  
33/F, ICBC Tower  
3 Garden Road  
Central  
Hong Kong

Standard Chartered Bank (Hong Kong) Limited  
15/F, Standard Chartered Tower  
388 Kwun Tong Road  
Kwun Tong, Kowloon  
Hong Kong

China Construction Bank (Asia) Corporation Limited  
16/F, York House, The Landmark  
15 Queen's Road, Central  
Hong Kong



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## CORPORATE INFORMATION

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<b>Registered Office</b>	Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
<b>Headquarters and Principal Place of Business in Hong Kong</b>	Room 3401, 34/F. China Resources Building No. 26 Harbour Road Wanchai Hong Kong
<b>Website Address</b>	<b><u><a href="http://www.5100.net">http://www.5100.net</a></u></b> (contents of this website do not form part in this prospectus)
<b>Company Secretary</b>	Mr. Chow Wai Kit ( <i>FCPA, FCCA, ACS, ACIS</i> )
<b>Authorized Representatives</b>	Mr. Chow Wai Kit ( <i>FCPA, FCCA, ACS, ACIS</i> ) Flat B, 10/F, Tower 3, Ocean Pointe 8 Sham Tsz Street Sham Tseng, Tsuen Wan New Territories Hong Kong  Mr. Liu Chen Flat B, 6/F, Fullview Court 32 Fortress Hill Road Fortress Garden, North Point Hong Kong
<b>Members of the Audit Committee</b>	Mr. Wei Cheng, Kevin (chairman) Mr. Lee Kong Wai, Conway Mr. Jesper Bjoern Madsen
<b>Members of the Remuneration Committee</b>	Mr. Lee Kong Wai, Conway (chairman) Mr. Wei Cheng, Kevin Mr. Jesper Bjoern Madsen Mr. Yu Yiping Wallace Mr. Fu Lin
<b>Members of the Nomination Committee</b>	Mr. Jesper Bjoern Madsen (chairman) Mr. Wei Cheng, Kevin Mr. Lee Kong Wai, Conway Mr. Yu Yiping Wallace Mr. Fu Lin

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## CORPORATE INFORMATION

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**Hong Kong Share Registrar**

Computershare Hong Kong Investor  
Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East, Wanchai  
Hong Kong

**Principal Share Registrar and  
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PRC

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## REGULATORY OVERVIEW

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### PRC GOVERNMENT POLICIES AND REGULATIONS TOWARDS THE MINERAL WATER INDUSTRY

The PRC Government has established a regulatory system and promulgated a series of laws, regulations and policies, governing the mineral water industry. Under this regulatory system, the exploration and exploitation of mineral water and mineral water products are subject to specific regulatory requirements. In view of the mineral water having dual nature of mineral resource and water resource, the Letter of Legal Affairs Bureau of State Council dealing with Relevant Issues concerning the Application of Law on the Administration of Exploration and Exploitation of Mineral Water and Geothermal Water 《國務院法制局關於勘查、開採礦泉水、地下熱水行政管理適用法律有關問題的覆函》(Guo Fa Ban Han No.5) issued on January 19, 1998 the Notice of Ministry of Land and Resources on the further Strengthening of Administration of Geothermy and Mineral Water Resources 《國土資源部關於進一步加強地熱、礦泉水資源管理的通知》(Guo Tu Zi Fa [2002] No.414) and other regulatory documents clarified that the exploration, exploitation, use, protection and administration of mineral water shall apply to the Mineral Resources Law of the People's Republic of China 《中華人民共和國礦產資源法》, the Rules for Implementation of the Mineral Resources Law of the People's Republic of China 《中華人民共和國礦產資源法實施細則》 and the Provisions on the Administration of Collection of the Mineral Resources Compensation Fee 《礦產資源補償費徵收管理規定》 and other laws and regulations applicable to mineral resources. Enterprises that seek to apply for the exploitation rights permit are generally required to submit the examination opinion of water resource administration authorities. However, to minimize dual administration and dual charge of fees, such enterprises do not need to apply for a water drawing permit.

#### Mineral Resources Law of the People's Republic of China and its Implementation Provisions

In accordance with the Mineral Resources Law of the People's Republic of China 《中華人民共和國礦產資源法》 promulgated on March 19, 1986 and revised on August 29, 1996 by the Standing Committee of the National People's Congress and the Rules for Implementation of the Mineral Resources Law of the People's Republic of China 《中華人民共和國礦產資源法實施細則》 promulgated by the State Council on March 26, 1994, mineral resources in the PRC are owned by the State, which adopts a licensing system for the exploration for and exploitation of mineral resources. Any party that is engaged in the exploration for and exploitation of mineral resources must satisfy criteria and acquire exploration and mining rights from the relevant authorities by applying for and registering such rights and paying usage charges.

The MLR is responsible for the supervision and administration of the exploration and development of mineral resources throughout the country. The departments of land and resources at provincial level are responsible for supervising and administering the exploration for and exploitation of mineral resources in their jurisdictions. The PRC Government adopts a unified registration system for mineral exploration areas. The MLR is responsible for registering the exploration of mineral resources. The State Council may authorize relevant departments to be responsible for the registration of the exploration of special types of mineral resources.

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## **REGULATORY OVERVIEW**

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Applicants seeking to establish new mining enterprises must satisfy certain criteria set out by the PRC Government and they are subject to governmental approval. The applications must set out detailed descriptions of the limits of the mining area, the mine design or the mining plan, the production technique to be employed, and the safety and environmental protection measures to be implemented, among other things, and be accompanied by requisite supporting documents.

### **Regulations on the Administration of the Mineral Resources Law of the Tibet Autonomous Region**

Pursuant to the Regulations on the Administration of the Mineral Resources Law of the Tibet Autonomous Region 《西藏自治區礦產資源管理條例》 (the “Tibet Mineral Resources Regulations”) issued by the Tibet Autonomous Region People’s Congress (Standing Committee) on April 1, 1999, and revised on January 20, 2002, the provincial legislative authorities in which our mine located, on the basis of the “Mineral Resources Law of the People’s Republic of China” together with the actual status of this region, formulated the Regulations applicable to such region, which imposed provisions to the exploration for and exploitation of mining resources in such region.

In accordance with the Tibet Mineral Resources Regulations, the geological and mineral resources management authority of the People’s Government of the Tibet Autonomous Region is responsible for supervision and administration of the exploration and exploitation of mineral resources in the Tibet Autonomous Region and the geological and mineral resources management authority of the county and the municipal governments are responsible for the supervision and administration of mineral resources in their respective administrative regions. The exploration for and exploitation of resources and the transfer of such rights in Tibet require approvals and registration with the mineral department in Tibet.

### **The Procedures for the Registration of Mining of Mineral Resources**

The Procedures for the Registration of Mining of Mineral Resources 《礦產資源開探登記管理辦法》 (the “State Council Circular No. 241”) was promulgated by the State Council and became effective on February 12, 1998. Under the State Council Circular No. 241, any holder of mining rights is required to file an application for registration of change(s) with the appropriate registration administration authority within the duration of the mining license term if there is any change in the scope of the mining area, the main-exploited mineral categories, the exploitation mode, the name of the mining enterprise and/or the transfer of the mining right according to the relevant laws. If continuation of mining is necessary after the expiration of the mining license, the mining right holder shall apply for an extension with the registration authority within 30 days prior to the expiration of the term of the mining license. If the mining right holder fails to apply for an extension prior to the expiration of the term, the mining license shall terminate automatically.

### **Bidding, Auction and Quotation of the Exploration Rights and the Mining Rights**

The Administrative Measures on the Bidding, Auction and Quotation of the Exploration Rights and the Mining Rights (Trial) 《探礦權採礦權招標拍賣掛牌管理辦法(試行)》 (the “Bidding Measures”) was promulgated by the MLR and became effective on June 11, 2003. The Bidding

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## REGULATORY OVERVIEW

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Measures set out the major procedures for the bidding, auction and quotation activities with respect to the assignment of the exploration rights and the mining rights. According to the Bidding Measures, the land and resources administrative authorities at the county level or above shall be responsible for the arrangement and implementation of the bidding, auction and quotation activities.

Under the bidding process, the relevant authority announces a bidding notice to invite certain or uncertain bidders to participate in the bidding, and determines the winning bidder of the exploration rights or the mining rights according to the result of the bidding. Under the auction process, the relevant authority announces an auction notice for the bidders to attend the auction and bid in for the exploration rights or the mining rights at the designated time and place, and determines the winning bidder of the exploration rights or the mining rights according to the price. Under the quotation process, the relevant authority announces a quotation notice, accepts the quotations from the bidders within the time limit and at the place prescribed in the notice, updates the quoted price from time to time, and determines the winning bidder of the exploration rights or the mining rights according to the quoted price at the expiry of the quotation period.

Pursuant to the Bidding Measures, the relevant authorities shall examine the qualification of the bidder to the bidding, auction or quotation in accordance with relevant laws and regulations. The bidders shall pay a deposit before it could attend the bidding, auction or quotation activities. After the winning bidder is determined, the winning bidder shall conclude a confirmation letter with the relevant authority to confirm the bidding result. The winning bidder shall pay the consideration for the exploration rights or the mining rights in a lump sum before the issuance of the relevant exploration license or mining license. In case that the consideration is of large amount, the consideration may be paid in installments upon the approval of the relevant authority.

### **Laws and Regulations on Mine Safety**

Pursuant to the Mine Safety Law of the People's Republic of China 《中華人民共和國礦山安全法》 promulgated by the Standing Committee of the National People's Congress on November 7, 1992 and effective on May 1, 1993, and the Implementation Rules for the Mine Safety Law of the People's Republic of China 《中華人民共和國礦山安全法實施條例》 promulgated by the Ministry of Labor on October 30, 1996, the departments responsible for labor administration and the authorities in charge of the mining enterprises supervise and administer mine safety.

Mining exploitation must meet certain requirements to ensure safe production. Mining enterprises must observe various safety rules and adhere to various technological standards for the mining industry depending on the type of mineral exploited. They must establish and improve a safe production responsibility system, as well as provide safety education and training to their workers and staff. Managers of mines are responsible for safe production of the enterprises.

Pursuant to the Regulations on Safety Production License 《安全生產許可證條例》 promulgated by the State Council on January 13, 2004, mine enterprises are subject to a licensing system. The administration on safety is in charge of the issuance and management of license. Enterprises must obtain safety production licenses pursuant to relevant regulations. Enterprises without safety production licenses cannot conduct any production activities.

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## REGULATORY OVERVIEW

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The State Administration of Work Safety promulgated the Measures for Implementation of Safety Production Licensing for Non-Coal Mine Enterprises 《非煤礦礦山企業安全生產許可證實施辦法》 by on June 8, 2009, which abolished the old Measures for Implementation of Safety Production Licensing for Non-Coal Mine Enterprises 《非煤礦礦山企業安全生產許可證實施辦法》 promulgated by the State Administration of Coal Mines Safety on May 17, 2004. According to the new “Measures for Implementation of Safety Production Licensing for Non-Coal Mine Enterprises”, non-coal mine enterprises include metal mines and non-metal mines enterprises, and gangue unit, exploration enterprises. The State Administration of Work Safety is responsible for guidance and supervision of the issue of safety production licenses for non-coal mine enterprises throughout the country. It is also responsible for issuing safety production licenses for non-coal mine enterprises under the central government’s management (comprising group companies, corporations and listed companies). The departments of work safety at provincial level are responsible for the issue and administration of safety production licenses for non-coal mine enterprises other than those mentioned above, as well as other non-mining enterprises which own non-coal mines or tailings facilities. The license for water resources mine and similar mines with little danger shall be decided by the departments of work safety at provincial level.

In order to obtain a safety production license, a non-coal mine enterprise must satisfy certain production safety requirements. The safety production license issuance and administration authorities issue safety production licenses to enterprises that meet the production safety requirements pursuant to the relevant provisions. For metal and non-metal enterprises, safety production licenses are issued to the enterprise in respect of its individual production systems. Safety production licenses are required to be renewed every three years through application to the safety production license issuance and administration authorities no later than three months before the expiration date.

### **Measures for the Administration of the Usage Fee and Purchase Price of Mineral Exploration and Mining Rights**

In accordance with the Measures for the Administration of the Usage Fee and Purchase Price of Mineral Exploration and Mining Rights 《探礦權採礦權使用費和價款管理辦法》 promulgated by the Ministry of Finance and the MLR on June 7, 1999, any party which conducts exploration and mining activities of mineral resources in the PRC is required to pay a usage fee and the purchase price. The land usage fee for an exploration right is calculated on the basis of the exploration period and the size of the area and is payable annually. The purchase price for mineral explorations is the price that licensees of exploration rights are required to pay when the exploration rights of an exploration area funded by the State are transferred to the licensees by the State. The purchase price for mineral exploration and mining rights is determined by reference to the valuation price confirmed by the MLR, and is paid as a lump-sum, or in installments within two years in the case of an exploration right and within six years in the case of a mining right. The usage fee and purchase price of mineral exploration and mining rights are collected by the relevant registration and administration departments during the registration of the mineral exploration and mining rights or their annual inspection and are pre-conditions to the grant and maintenance of exploration and mining licenses.

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## REGULATORY OVERVIEW

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### **Provisions on the Administration of Collection of the Mineral Resources Compensation Fee**

Pursuant to the Provisions on the Administration of Collection of the Mineral Resources Compensation Fee 《礦產資源補償費徵收管理規定》 promulgated on February 27, 1994 and revised on July 3, 1997 by the State Council, the mineral resources compensation fee is calculated and collected by the departments of land and resources together with the departments of finance according to the above regulation.

In specific circumstances, certain parties may be partly or fully exempted from paying mineral resources compensation fees upon joint approval by the department of land and resources and the department of finance at provincial level. Approval from the provincial people's government is required if the mineral resources compensation fee is reduced by more than 50% of the amount payable. Any approval for the reduction of the mineral resources compensation fee must be reported to both the MLR and the Ministry of Finance.

### **Laws and Regulations on Resource Tax**

In accordance with the Provisional Regulations of the People's Republic of China on Resource Tax 《中華人民共和國資源稅暫行條例》 promulgated by the State Council on December 25, 1993 and the Implementation Rules for the Provisional Regulations of the People's Republic of China on Resources Tax 《中華人民共和國資源稅暫行條例實施細則》, promulgated by Ministry of Finance on the same date all enterprises and individuals engaged in the exploitation of mineral products within the territory of the PRC are required to pay resource tax. Applicable resource tax rates are determined by the Ministry of Finance in consultation with the relevant departments of the State Council based on the resource conditions of the taxable products exploited or produced by the relevant taxpayer.

According to the Tibet Mineral Resources Regulation and the Notice of the People's Government of Tibet Autonomous Region on Adjusting and Improving the Resources Tax 《西藏自治區人民政府關於調整和完善資源稅政策的通知》 (藏政發[2006]58號) (Zang Zheng Fa [2006] No.58) issued on October 25, 2006, resources tax levied on mineral water is RMB3 per tonne.

## **PRC LAWS AND REGULATIONS ON ENVIRONMENTAL PROTECTION**

China has adopted extensive environmental laws and regulations, including on the exploitation and production of mineral water, which have an impact on our operations. There are national and local standards applicable to land rehabilitation, reforestation, emissions control, discharges to surface and subsurface water and the generation, handling, storage, transportation, treatment and disposal of waste materials. To formulate national discharge limits, pursuant to the PRC Environmental Protection Law 《中華人民共和國環境保護法》, the State Environmental Protection Administration of the PRC (currently named "Ministry of Environmental Protection of the PRC", hereinafter the same) assessed the national environmental quality, economy and technical conditions. The PRC government at provincial level and in the autonomous regions and municipalities are able to formulate local standards on the discharge of pollutants for items not specified in the national standards. Local governments may subject polluting items included in the national standards to more stringent local standards. The local discharge standards should be reported to the State Environmental Protection Administration of the PRC. All enterprises are subject to the local discharge standards for discharging pollutants in those areas where local discharge standards apply.

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## **REGULATORY OVERVIEW**

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The PRC Environmental Protection Law requires entities producing pollutants or other hazards to include environmental protection plans in their operations and to establish an environmental protection responsibility system. Such entities are required to adopt effective measures to control and prevent waste gases, waste water, waste residue, dust, malodorous gases, radioactive substances and noise, vibration, electromagnetic radiation produced in the course of production or other activities from polluting and damaging the environment.

Enterprises are required to register or file an environmental impact assessment with the local environmental protection bureau for approval before undertaking construction of any new production facility or major expansion or renovation of an existing production facility. The pollution control facilities should be designed, constructed and operated at the same time as the major facilities under construction. The construction project will not be permitted to commence operations unless the environmental protection administration department which approved the environmental impact assessment has determined the facilities are satisfactory.

Any units that discharge pollutants, whether in the form of emissions, water, noise, or materials, must submit a pollutant discharge declaration statement detailing the amount, type, location and method of treatment. The local environmental protection bureau will determine an amount of discharge allowable under the law and will issue a pollutant discharge license for that amount of discharge subject to the payment of discharge fees.

According to the Provision on the Protection of the Geologic Environment of Mines 《礦山地質環境保護規定》 promulgated by the MLR effective on May 1, 2009, and the Tibet Autonomous Region Regulations on Geological Environment Management 《西藏自治區地質環境管理條例》, effective on May 1, 2003, an underground mineral water mining right applicant shall submit a geological environment impact assessment report and deposit certain amount of fees as specified by the relevant land and resources administrative department according to the possible impact on the geological environment.

Remedial measures under the PRC Environmental Protection Law and various environmental regulations include, among others, warnings, orders to carry out remedial actions within a prescribed period, orders to suspend production and operation, closure of business, and civil claims for losses suffered. Failure of compliance may result in production suspension, penalty, damages and may subject the responsible individuals to criminal liabilities for serious environmental pollution issues resulting in significant loss to private or public property, death or personal injury.

### **PRC LAWS ON REGULATION ON MANUFACTURE AND SALE OF GENERAL FOOD PRODUCTS (EXCLUDING HEALTH FOOD PRODUCTS)**

According to the Implementation Rules of the Regulation on the Industrial Product Permit 《中華人民共和國工業產品生產許可證管理條例實施辦法》, revised by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China and effective on June 1, 2009, no enterprise is allowed to start production of the product applicable to the industrial



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## REGULATORY OVERVIEW

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product license system before it obtains the QS permit. To obtain the QS permit, the enterprise shall be in compliance with the requirements on experts, production conditions, technologies and other as prescribed in the Implementation Rules of the Regulation on the Industrial Product Permit. Enterprises shall mark the number of the QS permit on the package and catalog of its products.

Pursuant to the Administrative Measures on Food Hygiene Permits 《食品衛生許可證管理辦法》, a manufacturer or seller of general food products must obtain a food hygiene permit issued by the local health administrative department for general food manufacturing and operating activities. The Food Safety Law of the PRC 《中華人民共和國食品衛生法》 abolished the food hygiene permit requirement from June 1, 2009, replacing it with a new regulatory regime requiring manufacturers to obtain a food manufacturing permit, traders to obtain a food circulation permit, and catering service providers to obtain a food catering service permit. However, food hygiene permits issued to manufacturers, traders or catering service providers before June 1, 2009 remain valid until expiration.

Under the Implementation Rules for Administration and Supervision of Quality and Safety in Food Manufacture of Enterprises (for Trial Implementation) 《食品生產加工企業質量安全監督管理實施細則(試行)》 promulgated and effective on September 1, 2005 by the GAQS, a manufacturer of general food products, including packaged tea, products with tea ingredient and tea substitutes and beverages, must apply for an industrial manufacture permit with the provincial department of the AQISQ. The industrial manufacture permit is valid for three years.

The Food Safety Law and the Administrative Measures on Food Manufacture Permits 《食品生產許可管理辦法》 promulgated by the GAQS on April 7, 2010 and effective as of June 1, 2010, provide that general food manufacturing enterprises must obtain a food manufacture permit. However, pursuant to the Food Safety Law of the PRC, the industrial manufacture permits issued prior to the effectiveness of the Food Safety Law remain valid until the permit's expiration.

The Administrative Measures on Food Circulation Permits 《食品流通許可證管理辦法》, promulgated by the State Administration for Industry and Commerce (the "SAIC") on and effective as of July 30, 2009, provides that a trader of general food products must obtain a food circulation permit from local agencies of the SAIC. However, a general food product trading enterprise may operate relying on a food hygiene permit issued prior to July 30, 2009 until the permit's expiration or cancellation.

### **Regulations on Food Safety**

According to the Food Safety Law of the PRC, and the Measures for Archival Filing of the Enterprises Food Safety Standards 《食品安全企業標準備案辦法》, promulgated by the Ministry of Health (the "MOH") of the PRC on and effective on June 10, 2009, the health administrative department of the State Council and its provincial counterparts shall be responsible for enacting and promulgating national food safety standards and local food safety standards, respectively. In the event of absence of national food safety standards or local food safety standards, enterprises must formulate their own enterprise food safety standards to regulate their food manufacture process. Manufacturers

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## REGULATORY OVERVIEW

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of food products must file their food safety standards with provincial health administrative departments. Such filing is valid for a term of three years and must be renewed prior to expiration of that term. The food safety standards filed with health administrative departments before June 1, 2009 remain valid until expiration.

Pursuant to the Regulations on the Implementation of the Food Safety Law of the PRC 《中華人民共和國食品安全法實施條例》, promulgated by the State Council on and effective as of July 20, 2009, food manufacturers and traders must be in compliance with the laws, regulations and food safety management systems and are responsible for the safety of the foods they produce or trade.

### TAX

The PRC taxes that are levied on our subsidiary in the PRC mainly include enterprise income tax (“EIT”), value added tax (“VAT”) and resources tax. Under PRC law, our PRC subsidiary is also required to withhold taxes on dividends payable to us.

### PRC EIT Tax

Prior to January 1, 2008, the foreign-invested enterprises shall pay EIT pursuant to the Foreign-Invested Enterprise and Foreign Enterprise Income Tax Law of the PRC 《中華人民共和國外商投資企業和外國企業所得稅法》 promulgated by the National People’s Congress Standing Committee in 1991 (“Prior EIT Laws”) and related implementation regulations. Pursuant to the Prior EIT Law, except for the preferential tax rates, a foreign-invested enterprise was subject to EIT at a statutory rate of 33%. In addition, certain foreign-invested enterprises were exempted from EIT for two years starting from the first profit-making year and followed by a fifty percent reduction of the EIT in the next three consecutive years.

On March 16, 2007, the National People’s Congress passed the PRC EIT Law, with effect from January 1, 2008. The PRC EIT Law adopted a uniform tax rate of 25% for all enterprises (including foreign-invested enterprises) and revoked the current tax exemption, reduction and preferential treatments applicable to foreign-invested enterprises. However, according to the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy 《國務院關於實施企業所得稅過渡優惠政策的通知》 issued on December 26, 2007 and effective on January 1, 2008, there is a transition period for enterprises, whether foreign-invested or domestic, that received preferential tax treatments granted by relevant tax authorities prior to the effectiveness of the PRC EIT Law. Enterprises that were subject to an enterprise income tax rate lower than 25% before the effectiveness of the PRC EIT Law may continue to enjoy the lower rate and gradually transit to the new tax rate within five years after the effective date of the PRC EIT Law. Enterprises that were granted preferential EIT treatments before the effectiveness of the PRC EIT Law may continue to enjoy the preferential EIT treatments until their expiration.

According to the Relevant Rules of Tibet Autonomous Region in regards to Attracting Business and Investment 《西藏自治區關於招商引資的若干規定》 (Zang Zheng Fa [1999] No.33) issued by the People’s Government of Tibet Autonomous Region on September 24, 1999, foreign-invested enterprises established in Tibet could enjoy a preferential enterprise income tax rate of 10% and enterprises in Tibet engaging in encouraged industry or project and invested by investors from other

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## REGULATORY OVERVIEW

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provinces could adopt a preferential enterprise income tax rate of 15%. Based on the Notice of Tibet Autonomous Region regarding the Adjustment of Enterprise Income Tax Rate 《西藏自治區人民政府關於調整企業所得稅稅率的通知》(Zang Zheng Fa [2008] No.78) issued by the People's Government of Tibet Autonomous Region on October 31, 2008, enterprises established in Tibet of various forms shall adopt an uniform enterprise income tax rate of 15% from 2008 to 2010. Foreign invested enterprises established before the issuance of the PRC EIT Law and previously enjoying the preferential tax rate of 10% could enjoy the rate of 10% in 2008 and shall transit its income tax rate to 12% for 2009 and 15% for 2010. The preferential tax policies for enterprises in Tibet or other western region will be terminated by the end of 2010, and to the date of this prospectus the State has not promulgate any rules for such policy to be continued after 2010.

Under the PRC EIT Law, enterprises are classified as either “resident enterprises” or “non-resident enterprises.” Pursuant to the PRC EIT Law and its implementation rules, besides enterprises established within the PRC, enterprises established outside China whose “de facto management bodies” are located in China are considered “resident enterprises” and subject to the uniform 25% EIT rate for their global income. According to the implementation rules of the PRC EIT Law, “de facto management body” refers to a managing body that exercises, in substance, overall management and control over the manufacture and business, personnel, accounting and assets of an enterprise. In our circumstance, substantially our management is currently based in China and is expected to remain in China in the future. It is not clear whether we would be deemed as “resident enterprises” or not. In addition, although the PRC EIT Law provides that dividend income between “qualified resident enterprises” is exempted income, and the implementing rules refer to “qualified resident enterprises” as enterprises with “direct equity interest,” it is not clear whether dividends we receive from our subsidiary are eligible for such exemption if we are deemed to be a PRC “resident enterprise.” If we are considered a PRC “resident enterprise” and thus required to withhold income tax for any dividends we pay to our non-PRC resident enterprise investors, the amount of dividends we can pay to our Shareholders could be materially reduced. In addition, any gain realized on the transfer of ordinary shares by our non-PRC resident investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC.

Furthermore, the PRC EIT Law provides that a non-resident enterprise refers to an entity established under foreign law whose “de facto management bodies” are not within China but which have an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but have income sourced within the PRC. The implementation rules of the PRC EIT Law provide that after January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between China and the jurisdictions in which our non-PRC Shareholders reside.

### **Regulations on Tax Collection for Share Transfer by Non-PRC Resident Enterprises**

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises 《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》，or SAT Circular 698, issued by the State Administration of Taxation on

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## **REGULATORY OVERVIEW**

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December 10, 2009 with retroactive effect from January 1, 2008, where a foreign investor transfers its indirect equity interest in a PRC resident enterprise by disposing of its equity interests in an overseas holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the foreign investor shall report to the competent tax authority of the PRC resident enterprise this Indirect Transfer. The documents for reporting are:

- Equity transfer contract / agreement;
- Documents illustrating the relationship between the Non-PRC Resident Enterprises investor and the overseas intermediary holding company being transferred in respect of financing, operation, sales and purchase, etc.;
- Documents illustrating the operation, personnel, finance and properties of the overseas intermediary holding company being transferred;
- Documents illustrating the relationship between the overseas intermediary holding company being transferred and the PRC resident enterprise in respect of financing, operation, sales and purchase, etc.;
- Documents illustrating the reasonable commercial purpose of the Non-PRC Resident Enterprises investor in setting up the overseas intermediary holding company being transferred; and
- Other relevant documents required by the tax authority.

### **PRC VAT tax**

Pursuant to the Interim Regulation on the Value Added Tax of the PRC 《中華人民共和國增值稅暫行條例》 promulgated by the State Council on December 13, 1993 and amended on November 10, 2008 (“VAT Regulation”), and its implementation rules, any entity or individual engaged in the sale of goods, the provision of specified services or the importation of goods in China is generally required to pay VAT on the added value derived during the process of manufacture, sale or service provided. Unless stated otherwise, for VAT payers who are selling or importing goods, and providing processing, repairs and replacement services in the PRC, the tax rate shall be 17%.

## **REGULATION OF FOREIGN CURRENCY EXCHANGE AND DIVIDEND DISTRIBUTION**

### **Foreign Currency Exchange**

Pursuant to the Foreign Currency Administration Rules of the PRC 《中華人民共和國外匯管理條例》 promulgated by State Council on January 29, 1996 and amended on August 1, 2008 and various regulations issued by SAFE and other PRC regulatory agencies, Renminbi is freely convertible only to the extent of current account items, including the distribution of dividends, interest payments, trade

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## REGULATORY OVERVIEW

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and service-related foreign exchange transactions. Capital account items, such as direct equity investment, loans and repatriation of investment, require the prior approval from or registration with the SAFE or its local branch for conversion of Renminbi into a foreign currency, and remittance of the foreign currency outside the PRC.

### Dividend Distribution

The principal regulations governing distribution of dividends of foreign holding companies include the Company Law of the PRC 《中華人民共和國公司法》 promulgated by the National People's Congress Standing Committee in 1993 and amended in 1999, 2004 and 2005, the Foreign Investment Enterprise Law of the PRC 《中華人民共和國外資企業法》 promulgated by the National People's Congress Standing Committee in 1986 and amended in 2000, and the Administrative Rules under the Foreign Investment Enterprise Law 《外資企業法實施細則》 promulgated by the State Council in 1990 and amended in 2001.

Under these laws and regulations, foreign investment enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, wholly-foreign-owned enterprises in China, like our PRC Subsidiary, are required to allocate at least 10% of their respective accumulated profits after tax each year, if any, to fund certain reserve funds unless these accumulated reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends.

### Circular 75

On October 21, 2005, the SAFE issued the Notice on Relevant Issues Relating to the Administration of Foreign Exchange of Financing and Return Investment Activities by Domestic Residents Conducted via Offshore Special Purpose Vehicles 《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》 (“Circular 75”), which became effective as of November 1, 2005. According to Circular 75, (a) a PRC citizen (a “PRC Citizen”) must register with the local SAFE branch before he or she establishes or controls a SPV for the purpose of conducting overseas equity financing; (b) when a PRC Resident contributes assets or equity interests to an overseas SPV, or engages in overseas financing after contributing assets or equity interests in a domestic enterprise to an overseas SPV, such PRC Citizen must register his or her interest in the overseas SPV or any change to his or her interest in the overseas SPV with the local SAFE branch; and (c) when the overseas SPV undergoes a material change in capital outside the PRC, such as a change in share capital or merger and acquisition, the PRC Citizen must, within thirty days after the occurrence of such event, register such change with the local SAFE branch. Moreover, Circular 75 applies retroactively. Since the controllers are not PRC residents, Circular 75 does not apply to our listing.

Under the relevant rules, failure to comply with the registration procedures set forth in Circular 75 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entity, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations.

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## REGULATORY OVERVIEW

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As specified in Circular 75, a “special purpose company” (the “SPV”) as mentioned here shall refer to an overseas enterprise directly established or indirectly controlled by a domestic resident legal person or domestic resident natural person for the purpose of engaging in equity financing (including convertible bond financing) abroad with the enterprise assets or equity interests it/he/she holds inside China. Our PRC counsel has advised us that since we are not established or controlled directly or indirectly, by any domestic resident legal person or natural person, we are not a special purpose company defined under Circular 75 and our shareholders shall not be regulated by Circular 75. However, we cannot assure you that the PRC regulatory authorities will not issue new regulations or further interpretations of Circular 75 or other current PRC laws and regulations that may require our beneficial owners file and/or amend their registration with the local SAFE branch. For further details, please see the section headed “Risk Factors”.

### **M&A Regulations and Overseas Listings**

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State Assets Supervision and Administration Commission, the State Administration of Taxation, the SAIC, China Securities Regulatory Commission (“CSRC”) and the SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors 《關於外國投資者併購境內企業的規定》 (“M&A Rule”), which became effective on September 8, 2006 and was amended on June 22, 2009. This M&A Rule, among other things, includes provisions that purport to require that a SPV formed for purposes of overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC domestic companies or individuals obtain the approval of the CSRC prior to the listing and trading of such SPV’s securities on an overseas stock exchange.

Our PRC counsel, Jingtian & Gongcheng, has advised us that because Tibet Zhongji (i) is a foreign-invested enterprise which has no controlling shareholder that is a PRC domestic entity or PRC individual, and (ii) was established prior to September 8, 2006, the M&A Rules do not apply to our Group Reorganization and the Listing.

### **OTHER RELEVANT LAWS AND REGULATIONS**

#### **Laws and Regulations on Labor**

In accordance with the Labor Contract Law of the PRC 《中華人民共和國勞動合同法》 promulgated by the National People’s Congress Standing Committee on June 29, 2007, effective from January 1, 2008, employers and employees shall enter into written employment contracts to establish their employment relationship with the employers. Employers are required to inform the employees about their job duties, working conditions, occupational hazards, manufacture safety conditions, remuneration and other matters with which employees may be concerned. Employers shall pay remuneration to employees on time and in full in accordance with the commitments set forth in the employment contracts and the PRC regulations.

Under applicable regulations, including the Interim Regulations Concerning the Levy of Social Insurance Fees 《社會保險費徵繳暫行條例》 promulgated by the State Council, implemented from January 22, 1999 and the Administrative Regulation on Housing Fund 《住房公積金管理條例》

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## REGULATORY OVERVIEW

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promulgated by the State Council, implemented since April 3, 1999 and amended on March 24, 2002, employers in the PRC shall make contributions to the basic pension insurance fund, basic medical insurance fund, occupational injury insurance, unemployment insurance fund, maternity insurance fund and housing fund for their employees.

### **Laws and Regulations relating to the Development of Western China**

China has adopted a series of laws, regulations and policies to encourage the development of western China, which include without limitation Circular of the State Council Concerning Several Policies on Carrying out the Development of China's Vast Western Regions 《國務院關於實施西部大開發若干政策措施的通知》 issued on December 26, 2000, Notice of the General Office of the State Council on Transmitting the Opinions of the Western Development Office of the State Council on the Implementation of Several Policies and Measures for the Western Development 《國務院辦公廳轉發國務院西部開發辦公室關於西部大開發若干政策措施實施意見的通知》 issued on September 29, 2001, Circular of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Issues concerning Tax Preference Policies for the Western Development 《財政部、國家稅務總局、海關總署關於西部大開發稅收優惠政策問題的通知》 issued on December 30, 2001 and Relevant Opinions of the State Council Concerning Further Advancing the Development of Western Region 《國務院關於進一步推進西部大開發的若干意見》 issued on March 11, 2004. The government intends to provide a better investment environment for enterprises established in western region through simplifying relevant approval procedure for setting up enterprises in western region, granting preferential treatment for enterprises in encouraged industries in regards to tax, land and mineral resources, and providing better financing channels and other supports for enterprises in western region. In addition, exploration and mining of mineral resources are encouraged in western region. Among others, entities exploring or exploiting mineral resources in western region which satisfy certain requirements may apply for reduce or exemption of usage charges for exploration rights and mining rights.

### **Product Quality Law**

Pursuant to the Product Quality Law of the PRC 《中華人民共和國產品質量法》 promulgated by the National People's Congress Standing Committee in 1993 and amended in 2000 and 2009, a manufacturer shall establish a comprehensive internal management system for product quality, and implement internal policies of quality, responsibility and assessment. Violation of the Product Quality Law of the PRC may result in various penalties, including imposition of fines, suspension of business operations, revocation of business licenses and criminal liabilities.

### **Consumer Protection Law**

The Consumer Protection Law of the PRC 《中華人民共和國消費者權益保護法》 promulgated by the National People's Congress Standing Committee on October 31, 1993, which became effective on January 1, 1994, prescribes that businesses must comply with laws and regulations regarding personal safety and protection of property. Consumer shall be provided with truthful information in relation to goods and services. Consumers who suffer personal injury or property damage due to product defects may demand compensation from either the manufacturer or the seller.

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## REGULATORY OVERVIEW

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### Foreign Investment Related Laws and Regulations

In accordance with the Guidelines for Foreign Investment Business (Amendment 2004) 《外商投資產業指導目錄》 (2004) promulgated by the NDRC and the MOFCOM which came into effect on January 1, 2005, the exploration and exploitation of mineral water is classified as permitted foreign investment business.

NDRC and the MOFCOM replaced the Amendment 2004 with Amendment 2007, which came into effect on December 1, 2007. According to the Amendment 2007 the exploration and exploitation of mineral water is still classified as permitted foreign investment business.

The Verification and Approval of Foreign-Invested Projects Tentative Administrative Procedures 《外商投資項目核准暫行管理辦法》, which became effective as of October 9, 2004, provides that a project within the permitted catalogue must be:

- Submitted to and approved by provincial level development and reform departments if it has a total investment amount of less than US\$100 million;
- Submitted to and approved by the central NDRC if it has a total investment amount of US\$100 million or more; and
- First submitted to and examined by the NDRC and following such examination must be submitted to and approved by the State Council if it has a total investment amount of US\$500 million or more.

According to the Some Opinions on further improvements in exploiting foreign investment 《關於進一步做好利用外資工作的若干意見》 promulgated by the State Council on April 6, 2010, a project which has a total investment (including increased investment) of on more than USD300,000,000 within the encouraged and permitted catalogue set out in the Industrial Guidance Catalogue for Foreign Investment 《外商投資產業指導目錄》 shall be approved by local government authorities. Unless otherwise stipulated, governmental authorities at the central level may authorize the local authorities for approval of certain items originally charged by the governmental authorities at the central level.

### Intellectual Property Laws and Regulations

China has adopted legislation related to intellectual property rights, including trademarks, patents and copyrights. China is a signatory to all major intellectual property conventions, including the Paris Convention for the Protection of Industrial Property, Madrid Agreement on the International Registration of Marks and Madrid Protocol, Patent Cooperation Treaty, Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure and the Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPs”).

### Regulations on Patents

Under the revised Patent Law of the PRC 《中華人民共和國專利法》 promulgated on December 27, 2008 and effective on October 1, 2009, there are three types of patents, including invention



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## REGULATORY OVERVIEW

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patents, design patents and utility model patents. Invention patents are valid for twenty years, while design patents and utility model patents are valid for ten years, in each case commencing on their respective application dates. Persons or entities who use patents without the consent of the patent owners, make counterfeits of patented products, or engage in activities that infringe upon patent rights are held liable to the patent owner for compensation and may be subject to fines and even criminal punishment.

The patent prosecution system in China is different in many ways from that in other countries. The patent system in China uses the “first to file” principle, which means when more than one person files a patent application for the same invention, the patent will be granted to the person who files the application first. In addition, China requires absolute novelty for the sake of an invention to be patentable. Therefore, in general, a patent will be denied if it is publicly known in or outside of China. Furthermore, patents issued in China are not enforceable in Hong Kong, Taiwan or Macau, each of which has an independent patent system.

Although patent rights are national rights, the Patent Cooperation Treaty (“PCT”) to which China is a signatory, allows applicants in one country to seek patent protection for an invention that may simultaneously exist in a number of other member countries by filing a single international patent application. The fact that a patent application is pending is no guarantee that a patent will be granted, and even if granted, the scope of a patent may not be as broad as the subject of the initial application.

### **Regulations on Trademarks**

Both Trademark Law of the PRC 《中華人民共和國商標法》 promulgated by the National People’s Congress Standing Committee in 1982 and amended in 2001, and the Regulation on Implementation of Trademark Law of the PRC 《中華人民共和國商標法實施條例》 promulgated by the State Council in 2002 give protection to the holders of registered trademarks. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certificate marks. The Trademark Office under the State Administration for Industry and Commerce (國家工商行政管理總局商標局) handles trademark registrations and grants a term of ten years to registered trademarks, renewable every ten-years where a registered trademark needs to be used after the expiration of its validity term, a registration renewal application shall be filed within six months prior to the expiration of the term.

Under the Trademark Law, any of the following acts may be regarded as an infringement upon the right to exclusive use of a registered trademark, including (i) using a trademark which is identical with or similar to the registered trademark on the same or similar commodities without authorization; (ii) selling the commodities that infringe upon the right to exclusive use of a registered trademark; (iii) forging, manufacturing the marks of a registered trademark of others without authorization, or selling the marks of a registered trademark forged or manufactured without authorization; and (iv) causing other damage to the right to exclusive use of a registered trademark of another person.

Violation of the Trademark Law of the PRC may result in the imposition of fines, confiscation and destruction of the infringing commodities.

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## REGULATORY OVERVIEW

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Trademark license agreements must be filed with the Trademark Office under the State Administration for Industry and Commerce or its regional counterparts. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities.

### Regulations on Domain Names

The Ministry of Information Industry of the PRC (中華人民共和國信息產業部), which has changed to the Ministry Industry and Information Technology of the PRC (中華人民共和國工業和信息化部), re-promulgated its Administrative Measures on China Internet Domain Names 《中國互聯網絡域名管理辦法》 in 2004. According to the measures, applicants should enter into domain name registration agreements with relevant registration entities and upon the completion of the registration, the applicants could become the owners of relevant domain names.

### European Regulations on the Quality of Water intended for Human Consumption

According to Council Directive 98/83/EC, a legislative act of European Union, Member States shall take the measures necessary to ensure that water intended for human consumption is wholesome and clean. For the purposes of the minimum requirements of this Directive, water intended for human consumption shall be wholesome and clean if it: (i) is free from any micro-organisms and parasites and from any substances which, in numbers or concentrations, constitute a potential danger to human health, and (ii) meets the minimum requirements of microbiological parameters and chemical parameters; and if, in accordance with the relevant provisions of, Member States take all other measures necessary to ensure that water intended for human consumption complies with the requirements of this Directive.

The following tables set forth the minimum requirements of microbiological parameters and chemical parameters:

<u>Microbiological Parameter</u>	<u>Parametric value</u>
Escherichia coli (E. coli) . . . . .	0/250ml
Enterococci . . . . .	0/250ml
Pseudomonas aeruginosa . . . . .	0/250ml
Colony count 22°C. . . . .	100/ml
Colony count 37°C. . . . .	20/ml

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## REGULATORY OVERVIEW

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Chemical Parameter	Parametric value
Acrylamide . . . . .	0,10µg/l
Antimony . . . . .	5,0µg/l
Arsenic . . . . .	10µg/l
Benzene . . . . .	1,0µg/l
Benzo(a)pyrene . . . . .	0,010µg/l
Boron . . . . .	1,0mg/l
Bromate . . . . .	10µg/l
Cadmium . . . . .	5,0µg/l
Chromium . . . . .	50µg/l
Copper . . . . .	2,0mg/l
Cyanide . . . . .	50µg/l
1,2-dichloroethane . . . . .	3,0µg/l
Epichlorohydrin . . . . .	0,10µg/l
Fluoride . . . . .	1,5mg/l
Lead . . . . .	10µg/l
Mercury . . . . .	1,0µg/l
Nickel . . . . .	20µg/l
Nitrate . . . . .	50mg/l
Nitrite . . . . .	0,50mg/l
Pesticides . . . . .	0,10µg/l
Pesticides — Total . . . . .	0,50µg/l
Polycyclic aromatic hydrocarbons . . . . .	0,10µg/l
Selenium . . . . .	10µg/l
Tetrachloroethene and Trichloroethene . . . . .	10µg/l
Trihalomethanes — Total . . . . .	100µg/l
Vinyl chloride . . . . .	0,50µg/l

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## REGULATORY OVERVIEW

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### European Regulations on the Constituents of Natural Mineral Water

Commission Directive 2003/40/EC establishes the list of constituents of natural mineral waters which may present a risk to public health, the limits for admissible levels of these constituents, the deadlines for application of these limits and the labeling requirements for certain constituents. These constituents must be present in the water naturally and may not result from contamination at source.

Set forth below is a chart of constituents naturally present in natural mineral water and maximum limits which, if exceeded, may pose a risk to public health:

<u>Constituents</u>	<u>Maximum limits (mg/l)</u>
Antimony . . . . .	0,0050
Arsenic . . . . .	0,010 (as total)
Barium . . . . .	1,0
Boron . . . . .	For the record (*)
Cadmium . . . . .	0,003
Chromium . . . . .	0,050
Copper . . . . .	1,0
Cyanide . . . . .	0,070
Fluoride . . . . .	5,0
Lead . . . . .	0,010
Manganese . . . . .	0,50
Mercury . . . . .	0,0010
Nickel . . . . .	0,020
Nitrate . . . . .	50
Nitrite . . . . .	0,1
Selenium . . . . .	0,010

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(\*) the maximum limit for boron will be fixed, where necessary, following an opinion of the European Food Safety Authority and on a proposal from the Commission by 1 January 2006.

## INDUSTRY OVERVIEW

**This section contains certain information which has been derived from official and other public sources. Although we have reproduced the data and statistics extracted from such official and other public sources in a reasonably cautious manner, neither we, the Underwriters nor any of their respective affiliates or advisors have independently verified the information directly or indirectly derived from these sources, and such information may not be consistent with other information compiled in or outside of China. We make no representation as to the completeness, accuracy or fairness of such information and accordingly such information should not be unduly relied upon. In addition, this section contains information extracted from a commissioned report prepared by Euromonitor International for purposes of this prospectus. See “— About this Section”.**

### OVERVIEW OF THE BOTTLED WATER MARKET IN CHINA

The bottled water market in China consists of various types of bottled water, including mineral water, sparkling water and purified water. Economic growth, urbanization, increase in disposable income and changes in lifestyle and consumption behavior have led to substantial growth in the bottled water market in China. In 2010, the total sales value and volume of bottled water in China, which included institutional sales, food service and retail channels, reached RMB62.1 billion and 24.6 billion liters, respectively, representing a CAGR of 11.1% and 9.7% from 2005 to 2010.

China’s per capita consumption of bottled water still lags behind developed countries by a very significant margin. In 2010, the average annual per capita expenditure on bottled water was only US\$5.7 in China, compared to US\$120.6 in the United States, US\$153.7 in Germany and a worldwide average of US\$23.8, according to Euromonitor. These figures were calculated by adding the data of retail and food service channels, and did not include institutional sales. This implies significant growth potential of demand for bottled water in China in the years ahead.

The table below provides the annual per capita expenditure in the global bottled water market from 2005 to 2010 and forecast annual per capita expenditure from 2011 to 2014.

US\$ Region	Historical						Forecast			
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Germany . . . . .	133.8	139.7	155.9	167.8	160.7	153.7	154.2	154.7	154.7	154.1
Western Europe . . . . .	103.1	108.6	124.2	132.1	121.7	118.7	117.6	116.8	116.2	115.8
United States . . . . .	96.1	107.2	117.0	121.1	122.6	120.6	118.0	116.6	115.8	115.7
North America . . . . .	91.1	102.1	112.0	116.3	117.1	115.9	113.6	112.4	111.7	111.6
Australasia . . . . .	28.7	30.2	36.1	39.6	40.5	49.7	50.9	51.9	52.7	53.5
Latin America . . . . .	18.9	22.3	26.6	30.4	31.3	36.3	39.0	41.6	44.2	46.9
World . . . . .	17.5	19.2	21.8	23.7	22.9	23.8	24.0	24.4	24.8	25.3
Eastern Europe . . . . .	16.1	19.5	25.3	30.3	24.7	27.1	28.3	30.0	31.7	33.7
Asia Pacific . . . . .	3.9	4.3	4.9	5.7	6.0	6.9	7.2	7.6	7.9	8.3
Middle East and Africa . . . . .	3.9	4.3	4.9	5.5	5.7	6.3	6.4	6.9	7.3	7.8
China . . . . .	2.9	3.3	3.7	4.8	5.3	5.7	6.2	6.6	6.9	7.3

Source: Euromonitor International

1. The actual per capita consumption figures could be larger as this calculation only included retail and food service channel sales and did not include institutional sales.
2. 2005-2010 data records the actual prices and the year-on-year exchange rates in that year, while 2011-2014 forecast was based on constant 2010 price and fixed exchange rate in 2010.

## INDUSTRY OVERVIEW

As set forth in the table below, both retail sales value and sales volume of the bottled water market in China increased significantly between 2005 and 2010 and are expected to experience robust growth over the next several years. According to Euromonitor, China's bottled water market is expected to reach nearly RMB80 billion in retail sales value and 32.0 billion liters in volume in 2014.

Data	Historical						Forecast <sup>1</sup>			
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Retail sales value (RMB in millions) . . . . .	36,735	40,353	44,012	52,014	56,872	62,115	66,718	71,338	75,584	79,660
Sales volume (in millions of liters) .	15,469	17,050	18,834	20,700	22,619	24,625	26,626	28,559	30,355	32,065

Source: Euromonitor International

<sup>1</sup> The forecast during 2011 to 2014 was based on the constant 2009 price and assumed no inflation.

### OVERVIEW OF PREMIUM BOTTLED MINERAL WATER MARKET IN CHINA

Still in a nascent stage of development, China's bottled mineral water market in particular is one of the fastest growing in the world. Between 2005 and 2010, bottled mineral water consumption in China increased from 1.9 million tonnes to 3.6 million tonnes, representing a CAGR of 14.1% during this period. In terms of retail sales value, the bottled mineral water market was RMB11,493 million in 2010, up from RMB5,183 million in 2005, representing a CAGR of 17.3%.

China's bottled mineral water market can be classified into two segments based on average retail price: premium bottled mineral water and mass-market bottled mineral water. As defined by Euromonitor, premium bottled mineral water is characterized by a premium brand image and generally has a retail price of not less than RMB5 per 500 ml bottle. Mass-market bottled mineral water is characterized by a mass-market image and generally has a retail price of generally less than RMB5 per 500 ml bottle. According to Euromonitor, as the distribution channels are diverse for bottled mineral water, the retailing price is not the only criteria applied to identify a brand's positioning in either the premium or mass-market segment, consumer perception is also a key consideration. Popular brands of premium bottled mineral water in China include Evian, Volvic, Perrier, San Pellegrino, 5100 Tibet Glacier Spring Water, Pamir and Laoshan. Given the significant cost differential, premium bottled mineral water in China is primarily consumed by middle to high income consumers and institutional purchasers such as major corporations and government organizations with a large middle to high income customer base and significant bulk purchase demand.

The premium bottled mineral water segment in China commands much higher average pricing than the mass-market segment. In 2010, the average retail price for premium bottled mineral water in China was RMB18.2 per liter, while the average retail price for mass-market bottled water was RMB1.9 per liter, according to Euromonitor. The significantly higher pricing in the premium segment results in producers of premium bottled mineral water brands enjoying profit margins that are 6 to 7 times higher than those of mass-market bottled mineral water brands, according to Euromonitor.

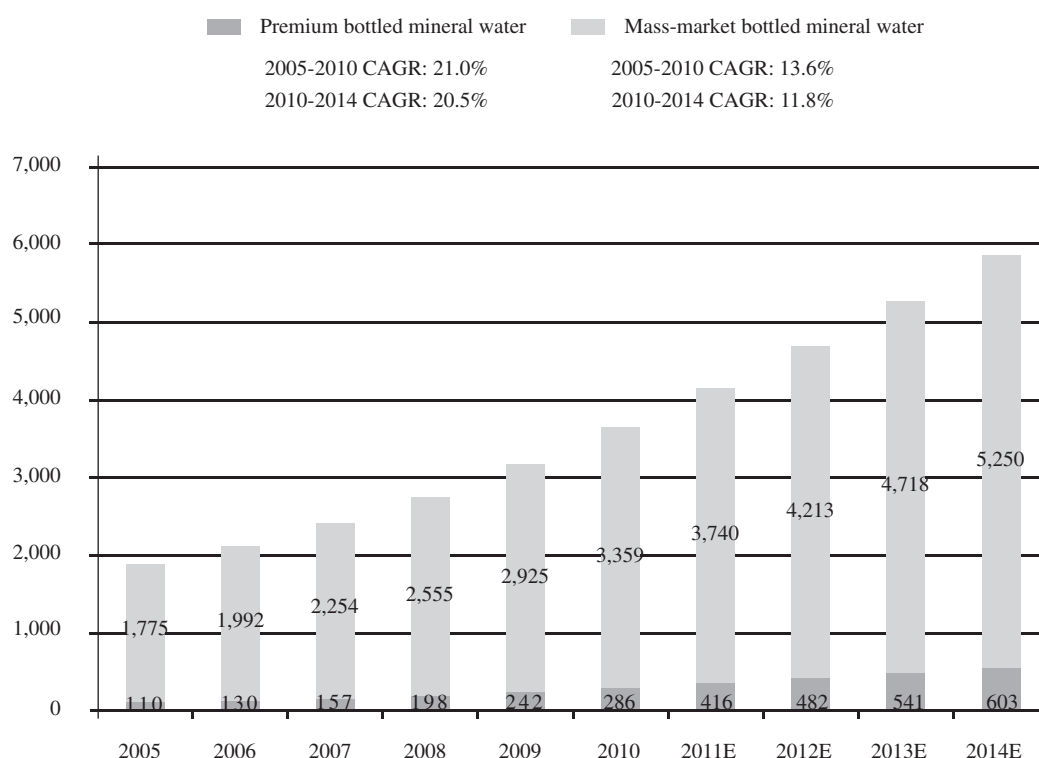
## INDUSTRY OVERVIEW

The premium bottled mineral water market has seen spectacular growth in recent years, as emerging brands from both foreign and domestic manufacturers have established themselves in the market. In 2010, the retail sales value of premium bottled mineral water reached RMB5,208 million, representing a CAGR of 21.2% from RMB1,988 million in 2005, significantly outpacing the growth of the mass-market bottled mineral water segment, which grew at a CAGR of 14.5% over the same period. With a much higher retail price, premium bottled mineral water has accelerated the growth of the overall bottled mineral water market in China and in 2010 accounted for nearly half of the overall market in terms of retail sales value. In 2010, the premium segment accounted for 7.9% of total mineral water consumption but contributed to 45.3% of the total retail sales value of the bottled mineral water market.

Spurred by the growth drivers discussed below, China's premium bottled mineral water market is expected to see strong growth and continue to outpace growth of the mass-market segment over the next several years. The retail sales value of premium bottled mineral water market is expected to reach RMB11,064 million in 2014, reflecting a CAGR of 20.7% during the period from 2010 to 2014, in contrast to a CAGR of 11.2% for the mass-market bottled mineral water over the same period.

As illustrated in the charts below, both sales volume and retail sales value of the premium bottled mineral water outpaced the growth of the mass-market bottled mineral water over the period of 2005-2010, which is expected to continue over the next several years.

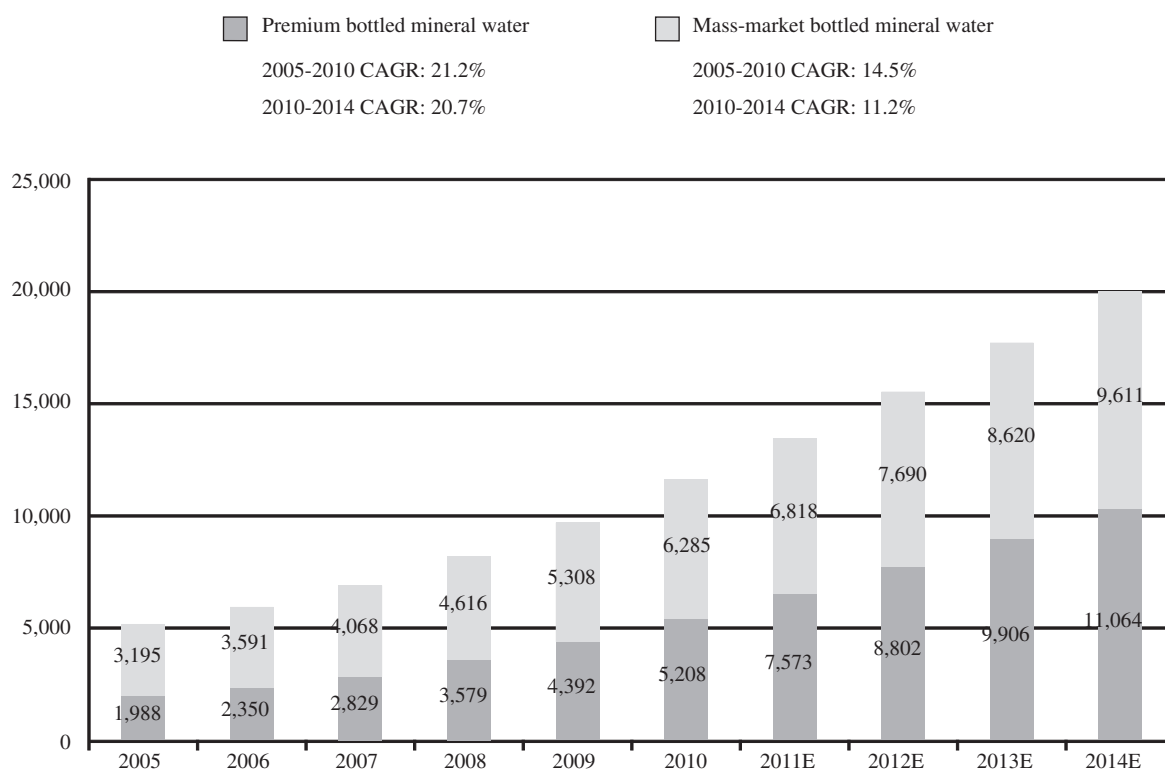
**Sales Volume of Premium and Mass-Market Bottled Mineral Water, 2005-2014E (in thousands of tonnes)**



Source: Euromonitor International

## INDUSTRY OVERVIEW

### Retail Sales Value of Premium and Mass-Market Bottled Mineral Water, 2005-2014E (RMB in millions)



Source: Euromonitor International

\* Forecasts for 2011-2014 assume constant 2009 prices, with no inflation assumed.

### DISTRIBUTION CHANNELS OF BOTTLED MINERAL WATER IN CHINA

Bottled mineral water in China is distributed through three key channels: institutional sales, food service and retail. The retail channel contributed the largest amount of bottled mineral water sales volume, with a share of 52.3% in 2010, followed by institutional sales, accounting for 37.4% of the total. The composition of the three distribution channels has remained relatively stable for the period of 2007 — 2010, according to Euromonitor.

- Institutional sales.** Institutional sales includes sales to large corporations and government organizations, which purchase bottled water in bulk primarily for office use and conference consumption, customer service, employee benefits or resale through their own distribution networks. Institutional sales also includes food service units that serve captive populations such as hospitals and schools. Manufacturers typically sell directly to large corporations and government organizations and have direct relationships with their procurement managers. Some manufacturers also sell to regional and local distributors to tap demand from certain regional corporations and government organisations.



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## INDUSTRY OVERVIEW

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- *Food service.* Food service is defined as sales through consumer food service outlets that serve the general public in a non-captive environment. This includes full-service restaurants, fast food restaurants, cafés, bars, self-service food outlets and street stalls. In key developed cities with developed food service market, mineral water manufacturers usually have specific account managers in charge of the food service channel, whereas in secondary markets, manufacturers tend to rely on distributors to access this channel.
- *Retail.* The retail channel refers to sales to retail outlets such as supermarkets, hypermarkets, convenience stores, department stores and shopping centers. Manufacturers usually rely on regional distributors to access the retail channel. Manufacturers may also have specialized account managers that deal directly with major national or regional supermarket and hypermarket chains.

### China Bottled Mineral Water Sales Volume Breakdown by Distribution Channel, 2007-2010

*(in millions of liters, except percentages)*

Data	2007	2008	2009	2010	CAGR 07-10
Institutional sales . . . . .	914.5	1,038.6	1,190.7	1,364.7	14.3%
Food service . . . . .	259.2	292.8	332.5	373.0	12.9%
Retail . . . . .	1,237.6	1,422.2	1,643.5	1,907.2	15.5%
<b>Total sales volume . . . . .</b>	<b>2,411.3</b>	<b>2,753.6</b>	<b>3,166.7</b>	<b>3,644.9</b>	<b>14.8%</b>

Source: Euromonitor International

### KEY GROWTH DRIVERS OF CHINA'S PREMIUM BOTTLED MINERAL WATER MARKET

The growth of China's premium bottled mineral water market is driven by the following factors in general:

- *Large untapped potential demand given low per capita consumption.* China's current per capita consumption of bottled water is still very low relative to developed countries, which implies vast growth potential. In 2010, China's annual per capita bottled water consumption was 18 liters, compared to 117.5\* liters in Western Europe. Within the overall bottled water market, China's per capita bottled mineral water consumption was only 2.7 liters in 2010, far lower than overall bottled water consumption. If considering urban residents in China alone, the disparity between mineral water and overall bottled water consumption is similarly wide, with per capita mineral water consumption of merely 5.5 liters in 2010, compared with total bottled water consumption of 37.0 liters in China. With nearly 665.6 million urban inhabitants in China as of November 1, 2010, there is immense growth potential in view of the sheer size of the urban population in China coupled with a significantly low per capita consumption rate of the bottled mineral water.

Note:

\* The actual per capita consumption figure for Western Europe could be larger as this calculation only included retail and food service channel sales and did not include institutional sales.

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## INDUSTRY OVERVIEW

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- *Increase in urban population and urban disposable income in China.* According to the National Bureau of Statistics of China, China's urban population and per capita household disposable income of urban residents in China continued to grow at a steady pace from 2005 to 2010. On July 29, 2010, the Chinese Academy of Social Sciences (CASS) published the Blue Book: China Urban Development Report No.3, which stated that by the end of 2009, the urbanization rate of China was 46.6%, with a total urban population of around 620 million. The urbanization rate is expected to reach 52% in 2015 and approximately 65% in 2030. The acceleration of urbanization is expected to further stimulate domestic demand for consumption of pre-packaged food items with increasing demand for food and beverage products available in more convenient forms. The corresponding growth in urban disposable income implies increasing affordability of premium bottled mineral water among urban consumers.
- *Growing health consciousness.* There is a growing awareness in China of the necessity of drinking better quality water for health reasons. Chinese consumers are also increasingly conscious of the health benefits associated with drinking water as opposed to soft drinks. Water contamination incidents in recent years have also led consumers to become more aware of the quality and hygiene of the water source and prone to drink more bottled water as opposed to municipal tap water. There is also a growing awareness of the perceived health benefits of drinking natural mineral water, which contains minerals and microelements beneficial to health. Bottled mineral water, associated with natural, pristine and unpolluted water sources, is thus very well positioned to become a staple drink for Chinese consumers due to their growing health consciousness.
- *Change in consumer behavior.* With rising disposable income, consumers in China are demonstrating greater demand for premium branded products and luxury goods, which are often purchased as a symbol of wealth and social status. China's high-income population, those with an annual gross income of US\$30,000 or more, has witnessed robust growth over the past several years; the high-income population increased from 3.1 million in 2005 to 8.7 million in 2010, reflecting a CAGR of 23.1%. The growth of the high-income population has fueled the growth of high-end food and beverage and entertainment venues including hotels, restaurants, nightclubs and bars that serve premium branded products in line with their high-end positioning. The premium bottled mineral water market is likewise expected to benefit from a continuous shift in consumption patterns towards premium branded products as well as the overall increase in the number of high income consumers in China.

In addition to the factors discussed above, which drive overall demand from individual consumers, the demand from institutional purchasers such as large corporations and government organizations is also driven by the following specific factors:

- *Growth in the number and scale of large corporations.* Institutional purchasers procure bottled mineral water in bulk primarily for office use and conference consumption, customer service, employee benefit or resale through their own distribution networks. The

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## INDUSTRY OVERVIEW

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institutional sales channel accounted for over 37% of overall demand in the bottled mineral water market in China in 2007-2010. The parallel growth in the number and scale of large corporations and the overall growth of China's economy is expected to drive the growth in demand for bulk purchase of bottled mineral water.

- *Procurement behavior of large institutional purchasers.* Given the relative status and importance of the officials and managers of large corporations and government organizations, and the attendees of their meetings and conferences, there is a greater tendency to purchase premium brands of bottled water products as opposed to mass market brands. Moreover, the procurement cost for water products for office or conference use represents a small proportion of the expenditure of large institutions, and thus the level of price sensitivity towards bottled water products is relatively low, making it more likely that procurement personnel will select premium brands. The tendency towards procuring premium branded bottled water products by large corporations and government organization is expected to also drive bulk purchase demand for premium bottled mineral water.
- *Drive to improve customer service.* Large service providers who cater to middle to high income customers, such as high speed train operators and airlines, are continually looking to improve their customer service given the profile of their customer base. This initiative can include serving higher quality and branded food and beverage products, which include premium bottled mineral water. The growth in the customer base of these service providers coupled with their drive to provide better quality service should continue to drive growth in demand for premium bottled mineral water in China.

### COMPETITIVE LANDSCAPE AND BARRIERS TO ENTRY IN CHINA'S PREMIUM BOTTLED MINERAL WATER MARKET

Although the first entrants to the premium bottled mineral water market in China were foreign brands such as Evian and Perrier, domestic premium bottled mineral water brands have begun to increase their market share in recent years, as the market share of foreign brands by sales volume has declined from 69.1% in 2007 to 52.1% in 2010. In this increasingly concentrated market, the top six premium bottled mineral water manufacturers by sales volume accounted for 65.7% of total sales volume of premium bottled mineral water in 2010, which increased from 47.4% in 2007, according to Euromonitor.

## INDUSTRY OVERVIEW

Four of the top six manufacturers are now domestic brands, led by 5100 Tibet Glacier Spring Water, which had a 28.5% share of total sales volume of premium bottled mineral water in 2010. The table below lists the sales volume share of the top six manufacturers of premium bottled mineral water in China in 2010. It is noteworthy that international players have approached the Chinese market using a multi-brand strategy, which is vastly different than most of the domestic players in China. Tibet 5100 Glacier Spring Water has emerged as the number one premium bottled mineral water brand in China, outperforming its domestic peers as well as the international brands, further underscoring the strong brand equity associated with 5100 Tibet Glacier Spring Water in China.

### Top Six Manufacturers of Premium Bottled Mineral Water Ranked by Sales Volume, 2010

Rank <sup>(1)</sup>	Company	Brand	Market Share by Sales Volume (%) <sup>(2)</sup>			
			2007	2008	2009	2010
1	Tibet 5100 Water Resources Holdings Ltd.	5100 Tibet Glacier Spring Water	6.2%	17.4%	25.1%	28.5% <sup>(3)</sup>
2	Groupe Danone	Evian, Volvic, Badoit	30.6%	28.0%	26.3%	26.9%
3	Nestlé S.A.	Perrier, San Pellegrino, Vittel, Acqua Panna, Contrex	6.2%	5.5%	5.0%	4.9%
4	Heilongjiang Emperial Spring Drinks Co., Ltd.	Emperial Spring	3.2%	3.0%	3.1%	2.9%
5	Pamir Tianquan Co., Ltd.	Pamir	1.3%	1.4%	1.4%	1.6%
6	Qingdao Laoshan Spring Co., Ltd.	Classic 1905 Laoshan Mineral Water	0.0%	0.5%	1.1%	1.0%
<b>Total</b>			<b>47.4%</b>	<b>55.7%</b>	<b>62.0%</b>	<b>65.7%</b>

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## INDUSTRY OVERVIEW

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Source: Euromonitor International

- (1) The ranking of manufacturers is based on sales volume in 2010. The amounts in 2007 to 2009 are provided only as a reference of growth trends.
- (2) “Sales Volume” refers to sell-in volume, which is goods purchased by the distributors and retailers in that year.
- (3) Tibet 5100 Spring’s sales volume in 2008, 2009 and 2010 includes volume provided to CRE, its largest customer, for free under a buy-one-get-one-free arrangement entered into in 2008. CRE is a logistics company and an enterprise subordinate to and acting as a procurement agent on behalf of the MOR in purchasing bottled mineral water from Tibet 5100 Spring. The volume of bottled water provided for free to CRE is in turn distributed by CRE to train operators under the MOR, who serve the bottled water to ticketed passengers on high-speed trains, inter-provincial CRH trains and certain other CRH trains. The volume of bottled water delivered to CRE accounted for approximately 90.9%, 89.7% and 89.5% of Tibet 5100 Spring’s sales volume in 2008, 2009 and 2010 and are included in the calculation of Tibet 5100 Spring’s market share in terms of sales volume by Euromonitor. For further details on Tibet 5100 Spring’s relationship with CRE, please refer to “Our Business — Customers and Distribution Network”.

Domestic brands of bottled mineral water in China have grown significantly since entering the market and the market share of top five domestic premium bottled water brands increased from 11.0% in 2007 to 35.0% in 2010. “Tibet 5100 Water Resources Holdings Ltd.” has experienced particularly strong growth since 2007, increasing its market share by sales volume from 6.2% in 2007 to 28.5% in 2010. Despite foreign brands’ earlier entry into the premium bottled mineral water market in China, domestic brands such as “5100 Tibet Glacier Spring Water” have been able to leverage upon their competitive advantages of institutional purchaser relationships, broader and deeper local networks, lower transportation costs, exemption from import tariffs and policy initiatives.

## INDUSTRY OVERVIEW

### Top Ten Brands of Premium Bottled Mineral Water Ranked by Sales Volume, 2010

Rank <sup>(1)</sup>	Brand	Company (GBO) <sup>(2)</sup>	Sales Volume <sup>(3)</sup> (million liters)				Market share by volume (%)			
			2007	2008	2009	2010	2007	2008	2009	2010
1	5100 Tibet Glacial Spring Water	Tibet 5100 Water Resources Holdings Ltd	9.7	34.4	60.7	81.6	6.2%	17.4%	25.1%	28.5% <sup>(4)</sup>
2	Evian	Groupe Danone	43.9	50.7	58.4	70.1	30.1%	25.6%	24.1%	24.5%
3	Perrier	Nestlé S.A.	7.0	7.8	8.8	10.2	4.5%	4.0%	3.6%	3.6%
4	Emperial Spring (世罕泉)	Heilongjiang Emperial Spring Drinks Co., Ltd.	5.0	6.0	7.5	8.2	3.2%	3.0%	3.1%	2.9%
5	Volvic	Groupe Danone	3.9	4.5	5.2	6.0	2.5%	2.3%	2.1%	2.1%
6	Pamirs	Pamir Tianquan Co., Ltd.	2.0	2.7	3.5	4.6	1.3%	1.4%	1.4%	1.6%
7	San Pellegrino	Nestlé S.A.	2.2	2.4	2.7	3.0	1.4%	1.2%	1.1%	1.0%
8	Classic 1905 Laoshan Mineral Water	Qingdao Laoshan Mineral Water Co., Ltd.	0.0	1.0	2.6	3.0	0.0%	0.5%	1.1%	1.0%
9	Bama Long-Green Mountain Immortal Spring Water	Guangxi BAMA Lifelong Soft-Drink Ltd.	0.6	1.3	2.5	2.9	0.4%	0.7%	1.0%	1.0%
10	SPA	Spadel Group	1.0	1.1	1.2	1.3	0.6%	0.6%	0.5%	0.5%
	<b>Foreign brands</b>		<b>58.0</b>	<b>66.6</b>	<b>76.4</b>	<b>90.6</b>	<b>37.0%</b>	<b>33.6%</b>	<b>31.5%</b>	<b>31.7%</b>
	<b>Domestic brands</b>		<b>17.3</b>	<b>45.4</b>	<b>76.8</b>	<b>100.2</b>	<b>11.0%</b>	<b>23.9%</b>	<b>31.8%</b>	<b>35.0%</b>
	<b>Total</b>		<b>75.3</b>	<b>112.0</b>	<b>153.2</b>	<b>190.8</b>	<b>48.0%</b>	<b>56.5%</b>	<b>63.3%</b>	<b>66.7%</b>

Source: Euromonitor International

- (1) The ranking of brands is based on sales volume in 2010. The accounts in 2007 to 2009 are provided as a reference of growth trends.
- (2) Global brand owner.
- (3) "Sales Volume" refers to sell-in volume, which is goods purchased by the distributors and retailers in that year.
- (4) Tibet 5100 Spring's sales volume in 2008, 2009 and 2010 includes volume provided to CRE, its largest customer, for free under a buy-one-get-one-free arrangement entered into in 2008. CRE is a logistics company and an enterprise subordinate to and acting as a procurement agent on behalf of the MOR in purchasing bottled mineral water from Tibet 5100 Spring. The volume of bottled water provided for free to CRE is in turn distributed by CRE to train operators under the MOR, who serve the bottled water to ticketed passengers on high-speed trains, inter-provincial CRH trains and certain other CRH trains. The volume of bottled water delivered to CRE accounted for approximately 90.9%, 89.7% and 89.5% of Tibet 5100 Spring's sales volume in 2008, 2009 and 2010 and are included in the calculation of Tibet 5100 Spring's market share in terms of sales volume by Euromonitor. For further details on Tibet 5100 Spring's relationship with CRE, please refer to "Our Business — Customers and Distribution Network".

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## INDUSTRY OVERVIEW

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The premium segment is also generally less competitive than the mass-market segment with fewer participants, a higher degree of concentration and competition that is not merely based on price but also on brand recognition and product quality. The premium segment also has higher barriers to entry. The key barriers to entry to the premium bottled mineral water market include:

- *Brand establishment.* Building brand image and awareness and consumer loyalty requires significant time and investment. A strong brand image is a prerequisite to creating a foothold in the premium segment and gaining market share. To achieve this, a significant investment of time and resources is required, and is therefore a significant barrier for new market entrants.
- *Scarcity of water sources.* China has rich mineral water sources but significant time and investment is required to explore and acquire suitable natural mineral water sources for production. China, with its huge population and growing pollution problems, is a country with scarce water resources. As competition within the premium mineral water market segment increases, so does the cost of acquiring and developing high-quality sources of water.
- *Institutional purchaser relationships.* The institutional sales channel in China accounted for over 37% of the sales volume of bottled mineral water from 2007 to 2010. Established relationships between incumbent manufacturers and institutional purchasers such as large corporations and government organisations, some of which may be exclusive or long-standing relationships, therefore act as barriers to entry to new entrants.
- *Establishing a distribution network.* Significant time and effort is required to establish a network of specific distributors, institutional purchasers and retail outlets which have targeted access to middle to high income end-consumers.
- *Establishing a logistics network.* As sources of mineral water are usually located in remote areas, transportation costs are high, particularly because, according to new national standards, all mineral water must be bottled locally at the spring site. In China, most high-quality sources of mineral water are located in northeast, northwest, and southwest China. However, the major consumers for mineral water and premium mineral water in particular are residents in south and east China. The long distances between the sources of water and their major consumer markets require an extensive and cost effective logistics network.

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## INDUSTRY OVERVIEW

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- *Stringent industry regulations and standards.* The technical standards for natural mineral water are becoming increasingly stringent. The National Standards for Drinking Natural Mineral Water was first jointly promulgated by the Department of Geology and Mineral Resources, the Ministry of Health and the Ministry of Light Industry in 1987 and further revised in 1995 and 2008. The current standards, GB8537-2008, have been in force since October 1, 2009, along with corresponding standards including Geologic Exploration Specification of Natural Mineral Water (GB/T13727-92), Methods for Examination of Drinking Mineral Water (GB/T8538-2008), Hygienic Specifications of Factory for Drinking Natural Mineral Water (GB16330-1996) and General Standards for the Labeling of Prepackaged Foods (GB7718-2004). The aforementioned standards regulate water quality, resources prospecting, water quality inspection measures, production plant establishment, quality control of mineral water, finished product specifications, as well as packaging, transportation and storage. These regulations and standards have raised the investment and operating costs of participating in the mineral water industry.

### INDUSTRIES IN CHINA RELEVANT TO OUR GROWTH

One of our key strategies to penetrate the growing Chinese market is by undertaking strategic alliances with institutions and corporations in China that possess a large customer base consisting primarily of middle to high income individuals whose profiles fit the target market of our premium bottled mineral water product. Given our strategic relationships with these institutions, we believe that underlying growth in the markets in which they participate is directly relevant to our future growth.

#### China's Railway Industry

Given our supply contract and strategic relationship with CRE, acting as a procurement agent for the MOR, the growth in China's railway passenger traffic, in particular passengers on high-speed trains and CRH trains, is relevant to the growth in our product sales.

China has amongst the highest rail passenger traffic in the world. However, it has one of the lowest railway densities among the major developing and developed countries in terms of railway mileage per capita and per kilometer of land mass. The growth in China's railway infrastructure has to date significantly lagged the growth in the overall level of economic activity. Despite the various competitive advantages of rail transport against other modes of transport, China has been heavily reliant on highway transport, which handled 93% of the passenger traffic and 76% of the freight traffic in 2009, whereas rail transport only captured a 5% and 12% share in passenger and cargo transportation, respectively, according to CEIC. Moreover, in order to rebalance the economic growth across regions in China, the government has given strong emphasis in developing its transportation infrastructure, particularly the railway network in China. The accelerating investment flow to less-developed regions driven by continuous factory migration further increases the urgency to upgrade the existing railway network and lower the logistics costs.

As a result, China has been investing much more heavily in expanding its railway network in recent years. Annual railway capital expenditure surged five-fold to reach RMB318 billion for the period of 2006-2009 as compared to RMB61 billion for the period of 2001-2005.



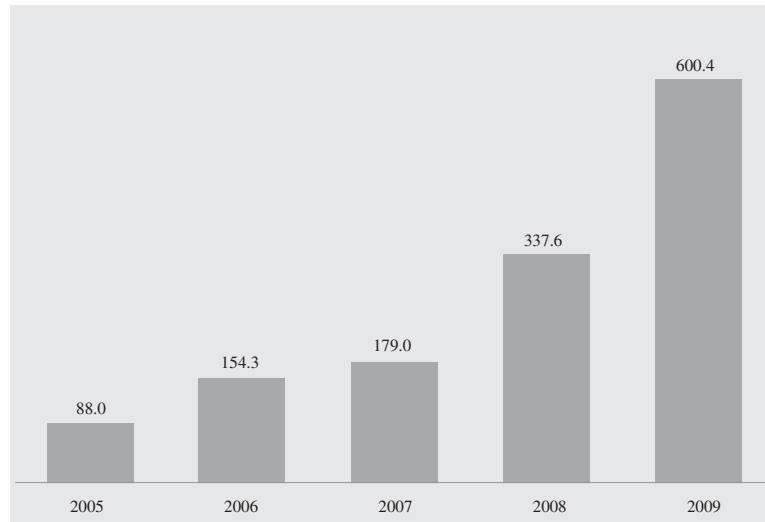
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## INDUSTRY OVERVIEW

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The chart below illustrates the growing investment made by the Chinese government in rail transport between 2005 and 2009:

**Total investment by Chinese government in the PRC rail transport sector from 2005-2009 (RMB in billions)**



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Source: MOR

With the increasing utilization of rail transport, railway passenger traffic has seen a strong increase over the past several years. In 2009, total railway passenger traffic in China reached 1,525 million passengers, growing by a CAGR of 7.2% from 1,156 million passengers in 2005. Over the same period, the total population in China only increased by 0.5%. The MOR operates the vast majority of China's passenger rail transport network. Among the 1,525 million passengers in 2009, national railways contributed to 98.9% of the total railway passenger traffic.

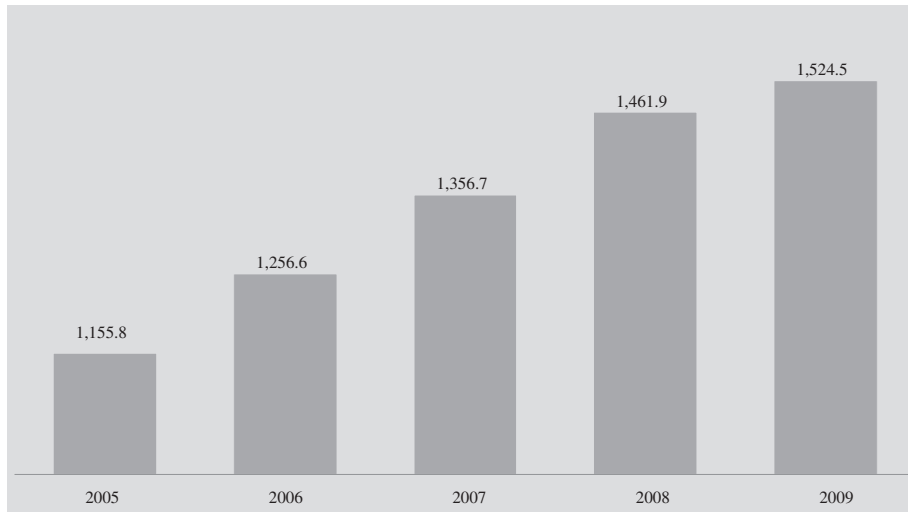
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## INDUSTRY OVERVIEW

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The chart below illustrates the growth of railway passenger traffic in China over the period from 2005 to 2009:

**Total railway passenger traffic from 2005 to 2009 (in millions of passengers)**



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Source: *China Statistical Yearbook 2010*

One of the most important components of China's railway development plans has been the aggressive expansion of its high-speed railway network. China's first high-speed rail line was launched on August 1, 2008 and is capable of transporting up to 125,000 passengers daily between the cities of Beijing and Tianjin in China. China's high-speed railways have carried nearly 200 million passengers since they began operating in 2007, according to the MOR. According to the 2008 revised Medium to Long Term Plan for Railway Network Development in China, the total operating high speed rail mileage is estimated to reach 10,000 km in 2010 and be expanded aggressively to reach 14,900 km and 21,400 km in 2011 and 2012, respectively, growing at CAGR of 46.3% between 2010 and 2012. A number of the largest high speed lines are expected to commence operation in 2011 and 2012, including Beijing-Shanghai, Harbin-Dalian and Shijiazhuang-Wuhan.

With the rapid expansion of the high-speed railway network, it is expected that high-speed rail passenger traffic will continue to grow strongly in China in the near term.

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## INDUSTRY OVERVIEW

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### China's Air Travel Industry

Given our supply contract and strategic cooperative relationship with Air China, the growth in China's air travel industry is also relevant to the growth in demand for our product sale that is, Air China's purchase of our products will be highly dependent on the total air traffic in China. Therefore, the air travel industry's growth in China is a direct driver to our future revenue growth. Total air passenger traffic reached 230.5 million persons in 2009, growing at a CAGR of 13.6% from 138.3 million persons in 2005. Air China, the largest airline in China, carried 39.1 million passengers for the first ten months in 2010.

The table below illustrates China's domestic and international air passenger traffic from 2005 to 2009. On domestic routes, air traffic increased from 126.0 million in 2005 to 215.8 million in 2009, reflecting a CAGR of 14.4%, while on international routes, air traffic increased from 12.3 million to 14.7 million over the same period, representing a CAGR of 4.7%.

**Domestic and International Air Passenger Traffic in China from 2005-2009**  
(in millions of passengers)

<b>Year</b>	<b>International Routes</b>	<b>Domestic Routes</b>
2005 .....	12.3	126.0
2006 .....	14.1	145.5
2007 .....	16.9	168.8
2008 .....	15.2	177.3
2009 .....	14.7	215.8
<b>2005-2009 CAGR</b> .....	<b>4.7%</b>	<b>14.4%</b>

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Source: China Statistical Yearbook 2010

### China's Automobile Industry

Given our strategic relationship with BP-PetroChina JV, the growth in China's car ownership, particularly in the province of Guangdong, is relevant to the growth in demand for our product. Because the car ownership growth in these two provinces will directly increase traffic to the BP-PetroChina JV stations, and thus drive the sale of our products.

BP p.l.c. has worked together with both PetroChina and Sinopec, the two major national petrochemical players in China, to establish a leading petrol station network in Guangdong province. Since the establishment of BP-PetroChina Petroleum Company Limited in Guangdong in 2004, BP-PetroChina JV has successfully acquired, built, operated and managed 500 service stations in Guangdong Province within three years. The increased buildup of BP-PetroChina JV's network in Guangdong province will provide a wider reach for our product as a result of an increase in distribution points.

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## INDUSTRY OVERVIEW

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Private vehicle ownership has been increasing in China, driven by the PRC's rapid economic growth, increasing urbanization and personal wealth growth, increased investment in improving transportation infrastructure and favorable Chinese government policies encouraging the production and sales of automobiles. Total private vehicle ownership in China reached 45.8 million units in 2009, representing a CAGR of 25.4% from 18.5 million units in 2005. Among these 45.8 million units of private vehicles, vehicle ownership in Guangdong province accounted for 5.2 million units in 2009, contributing 11.3% of the total. Guangdong has seen its total vehicle ownership rise from 2.5 million units in 2005 to 5.2 million units in 2009. The table below illustrates the rise in vehicle ownership in China and Guangdong from 2005 to 2009.

### Private vehicle ownership in China and Guangdong, 2005-2009 (in millions of units)

Year	China	Guangdong
2005	18.5	2.5
2006	23.3	3.0
2007	28.8	3.7
2008	35.0	4.4
2009	45.8	5.2
<b>2005-09 CAGR</b>	<b>25.4%</b>	<b>19.7%</b>

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Source: *China Statistical Yearbook 2010*

## OVERVIEW OF PET

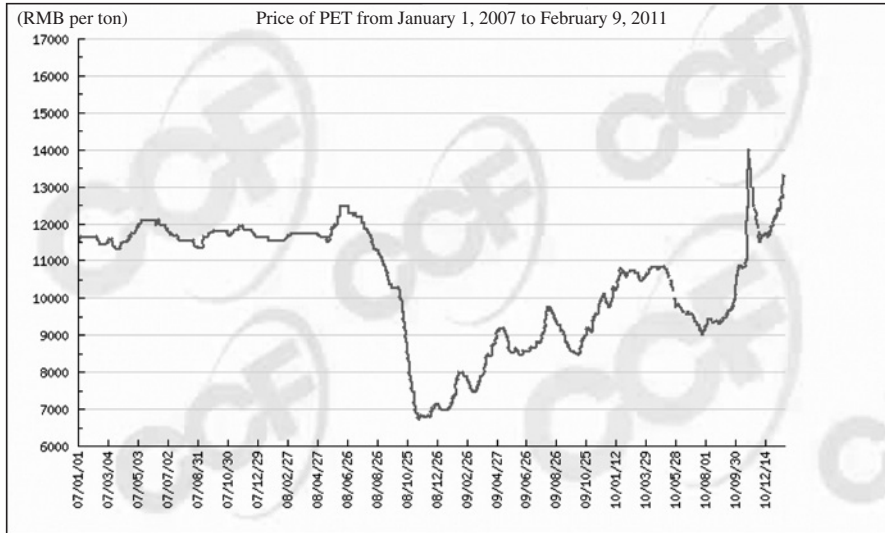
Polyethylene terephthalate, or PET, a strong but lightweight form of clear polyester, is used to make containers for soft drinks, juices, alcoholic drinks, water, edible oils, household cleaners, and other food and non-food applications. PET is made from petrochemicals such as PTA, which is produced from crude oil. The price of PET is, to certain extent, correlated with oil price, although its price is also influenced by other factors such as the supply and demand of PET market, and supply and demand of its upstream PTA market.

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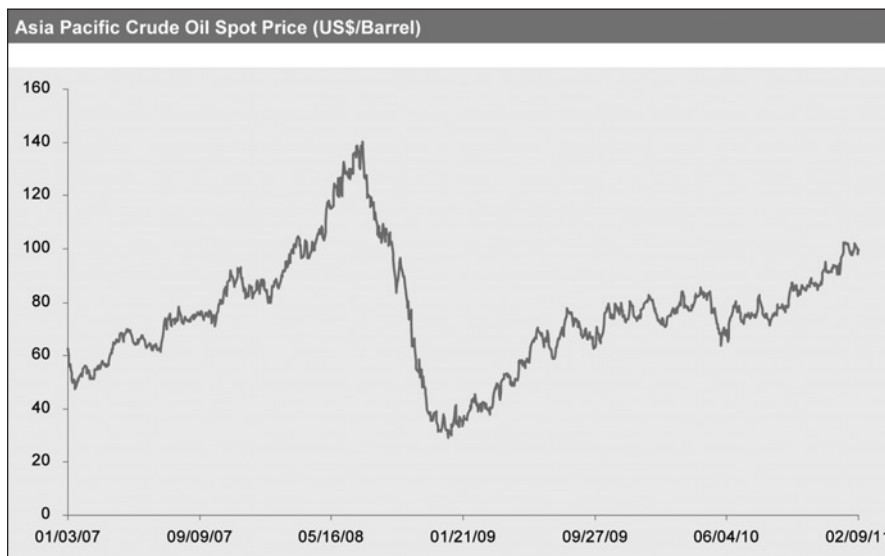
## INDUSTRY OVERVIEW

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The tables set forth below illustrate the price of PET and the price of crude oil, which shows that the price of PET was correlated to the price of crude oil:



Source: <http://www.ccf.com.cn> (中國化纖信息網)



Source: Bloomberg

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## INDUSTRY OVERVIEW

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### ABOUT THIS SECTION

#### General

This “Industry Overview” section contains information extracted from a commissioned report, or the Euromonitor Report, prepared by Euromonitor International, or Euromonitor, for the purposes of this prospectus. We believe that the sources of the information included in the Euromonitor Report are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information from the Euromonitor Report for the purposes of this section. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from the Euromonitor Report has not been independently verified by us, the Joint Sponsors, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy.

#### Research Methodology

Euromonitor undertook a top-down centralised research approach combined with bottom-up intelligence gathering to compile the data and analyses for its report on the bottled water market in China. The following research methodologies were utilised.

- *Internal resources.* Euromonitor has been doing research on the soft drinks and bottled water market for many years and updates relevant data annually. Existing internal data, including on market size, market share and forecasts were used in the Euromonitor Report.
- *Secondary research.* Euromonitor’s analysts are experts on gathering information from multiple, relevant published data sources. Published data was used for first estimates and insights, and was further refined and confirmed.
- *Primary research.* Trade interviews with bottled water manufacturers, distributors, retailers and other third parties for first hand data, opinions and insights; as well as national or regional industry trade associations, government, semi-official and other industry observers.

Interviewing respondents from different departments within multiple companies through the value chain enables coverage of a range of issues and helps reconcile a spectrum of data and opinions. A reliable data set and valid conclusions is reached by independently building segment consensus. The following table sets forth the number of interviews conducted by Euromonitor by type of survey participants.

<u>Participants</u>	<u>No. of Interviews</u>
Industry associations . . . . .	1
Manufacturers . . . . .	21
Trade companies . . . . .	7
Total . . . . .	<u>29</u>

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*Source: Euromonitor International*

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## INDUSTRY OVERVIEW

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Specifically for ensuring forecasting accuracy, Euromonitor adopted its standard practice of both quantitative as well as qualitative forecast in terms of the market size and growth trends on the basis of a comprehensive and in-depth review over the historical market development, and a cross check with established government and industry figures or trade interviews, as well as statistical tools where possible.

All primary and secondary research sources are first standardized, checked and validated to ensure we have a robust research feed to the analysis. A critical analysis of all sources and insights is conducted whereby we compare data, insights and hypotheses to arrive at a set of data and conclusions.

### SOURCE OF INFORMATION

Established in 1972, Euromonitor International is a global research organisation with offices in London, Chicago, Singapore, Shanghai, Vilnius, Dubai, and Cape Town. Euromonitor International's mission is to build on its position as the leading provider of quality international market intelligence on consumer products, services and lifestyles. Euromonitor International's policy of continuously expanding and developing its products and technologies ensures it remains at the cutting edge of information solutions. Euromonitor International researches a wide range of consumer, industrial, service and business-to-business markets and remains independent and privately owned.

ALECTIA A/S is a Danish Limited practice of engineering consultants and planners founded in 1912. Operations are located in Denmark and abroad. ALECTIA's major business area is provision of consulting services to building, the construction industry and all the functions essential to the processes within and around buildings. ALECTIA's solution combines function, design, cost and long-term development. They especially focus on energy, optimized operation and sustainability. Moreover ALECTIA provide consulting within a series of specialized competencies, such as, physical and psychological work environment, acoustics, fire engineering strategy, management consulting, processing equipment and clean room technology.

This prospectus contains information extracted from the Euromonitor Report and ALECTIA Report in sections such as "Industry Overview" and "Our Business." We paid Euromonitor and ALECTIA a total of RMB256,000 and EUR86,040, respectively, in fees for the preparation and update of their industry reports during the Track Record Period, which is not contingent upon the Global Offering.

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## HISTORY AND CORPORATE STRUCTURE

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### OVERVIEW AND BUSINESS MILESTONES

We produce the leading brand in the fast-growing premium bottled mineral water market in China. Our brand, “5100 Tibet Glacier Spring Water”, or “5100”, ranked first in terms of sales volume in the premium market segment in 2010, with a market share of 28.5% in China, according to Euromonitor. We established our leading market position by executing a growth strategy that focuses on penetrating institutional sales channels, an approach which distinguishes us from our competitors.

The following table sets forth the significant milestones in our history:

- |      |  |
|------|--|
| 2006 | <ul style="list-style-type: none"><li>• Obtained Mining License (採礦許可證) issued by the Department of Land and Resources of Tibet Autonomous Region (西藏自治區國土資源廳) for the extraction of our glacial spring mineral water</li><li>• Established our first production line</li></ul>  |
| 2007 | <ul style="list-style-type: none"><li>• The National Natural Mineral Water Technical Evaluation Committee (國家天然礦泉水技術評審組) confirmed our water source to contain microelements such as lithium, strontium and meta-silicic acid</li><li>• Became the only water source in Tibet to be recognized as one of “China’s High Quality Mineral Water Sources” (中國優質礦泉水源) by the Natural Spring Mineral Water Committee of China Mining Federation (中國礦業聯合會天然礦泉水專業委員會)</li><li>• Established strategic relationship with CRE</li><li>• Selected as the official drinking water of The Seventeenth National Congress of the Communist Party of China (中國共產黨第十七次全國代表大會)</li><li>• Won the Brand China Gold Spectrum Award (品牌中國金譜獎) in the China Brand Festival (中國品牌節)</li></ul> |
| 2008 | <ul style="list-style-type: none"><li>• Obtained Quality Management System Certificate, HACCP Certificate, Environmental Management System Certificate and Occupational Health and Safety Management System Certificate issued by China Quality Certification Centre</li><li>• Established our second production line</li><li>• Selected as the official drinking water of the The First Session of the Eleventh National Committee of CPPCC</li></ul>   |
| 2009 | <ul style="list-style-type: none"><li>• Established our third production line</li><li>• Selected as the official drinking water for (i) the VIP stands of National Day for the 60th anniversary of the foundation of PRC (中華人民共和國建國六十周年國慶觀禮台), and (ii) the Boao Forum for Asia 2009 (博鰲亞洲論壇2009年年會)</li></ul>   |
| 2010 | <ul style="list-style-type: none"><li>• “5100” trademark  was recognised as a “China Famous Trademark” (中國馳名商標)</li><li>• Selected as the VIP drinking water in China Pavilion of the 2010 World Expo in Shanghai</li><li>• Established strategic relationships with FedEx and China Post</li><li>• Entered into an extended three-year strategic agreement with CRE</li></ul>  |



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## HISTORY AND CORPORATE STRUCTURE

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### OUR CORPORATE HISTORY

#### Background of Our Founders

Mr. Wang and Mr. Yu (the “Founding Shareholders”) are founders of our Group. Mr. Wang is also the Controlling Shareholder of the Group. From 1986 to 1994, Mr. Wang took part in various business and investment activities in China. In 1995, Mr. Wang invested in Lhasa Brewery and introduced professional management personnel to manage the brewery business, which was listed on the Shenzhen Stock Exchange in 1997 until it became a subsidiary of Tibet Galaxy, a Tibet company with its A-shares listed on the Shenzhen Stock Exchange. Mr. Wang sold his shareholding in Tibet Guangda in 2005, the controlling shareholder of Tibet Galaxy and served as a director of Tibet Galaxy. Mr. Wang resigned from that position in January 2011. For further information on the relationship between Tibet Galaxy and Tibet Guangda, please refer to the section headed “Relationship with Controlling Shareholders”.

Mr. Yu, the Group’s chairman of the board and executive director, is the other co-founder of the Group. Mr. Yu, who has been responsible for the overall business development and strategic planning of the Group, has more than 26 years of experience in business management, trading and investment. Mr. Yu and Mr. Wang have known each other since 1990s and have been close personal friends and business partners. Since 2004 and 2005, Mr. Yu has been the chairman and director of Tibet Zhongji and Glacier Water, respectively.

Both Mr. Wang and Mr. Yu are permanent residents of Hong Kong.

#### Formation of Tibet Zhongji and Relationship with Zhongji Holdings

In 2004, Mr. Wang and Mr. Yu established Tibet Zhongji, a Chinese-Foreign Cooperative Joint Venture (“CJV”), with Zhongji Holdings in Tibet. Tibet Zhongji was established pursuant to “A Chinese-Foreign Cooperative Joint Venture Contract on the Establishment of Tibet Zhongji Jiahua Industry Co., Ltd” (《關於組建西藏中稷佳華實業發展有限公司的中外合作經營企業合同》) dated November 8, 2003 (the “Cooperative Contract”), entered into between Zhongji Holdings, Sino Ocean and Vicwood.<sup>(1)</sup> Zhongji Holdings was established in August 2002, and it is an Independent Third Party.<sup>(2)</sup>

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(1) Sino Ocean and Vicwood were incorporated in BVI in 2003 as investment holding companies. Vicwood and Sino Ocean each allotted and issued 1 share to Jintong at par value on September 29 and October 6, 2003 respectively. For details of Sino Ocean and Vicwood, please refer to the section headed “Appendix VI — Statutory and General Information” of this prospectus.

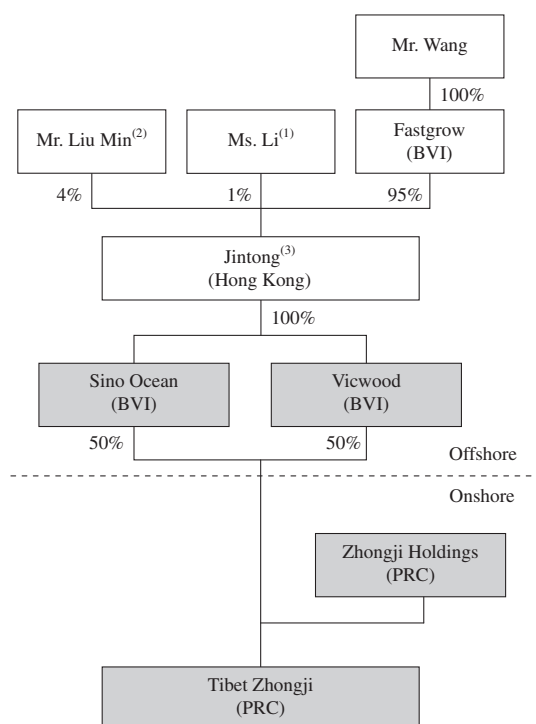
(2) The registered capital and the total investment amount of Tibet Zhongji were both HK\$10,000,000. Sino Ocean and Vicwood each contributed HK\$5,000,000 and each owned 50% of Tibet Zhongji’s equity interest. The said registered capital and total investment of HK\$10,000,000 was provided by Mr. Wang through Jintong as loan capital to Sino Ocean and Vicwood (which were wholly-owned by Jintong). Zhongji Holdings did not contribute to the said registered capital and did not own any equity interest in Tibet Zhongji due to our arrangements under the Cooperative Contract with Zhongji Holdings as described above.

Zhongji Holdings is held as to 80% by Beijing Zhongji Yuntong Investment Co., Ltd. (北京中稷運通投資有限公司) and as to 20% by Shenzhen Changhe Yuntong Investment Co., Ltd. (深圳市長河運通投資有限公司) (“Changhe Yuntong”) since June 2007, and Changhe Yuntong became a shareholder of Zhongji Holdings from September 2005. Mr. Wang was a 50% shareholder of Changhe Yuntong from 2003 to 2004 and he disposed of all his shareholding in Changhe Yuntong in 2004. Mr. Yu Hongkun (于鴻坤), one of the directors of Vicwood, was first a 25% shareholder and then a 50% shareholder of Changhe Yuntong from 2004 to 2011; he disposed of all his shareholding in Changhe Yuntong in March 2011.

Since March 2009, Zhongji Holdings has been holding 18% equity interest in Tibet Green Barley Brewery Co., Ltd. (西藏青稞啤酒有限公司), which in turn holds 52% equity interest in Tibet Tiandi Green Drinks Development Co., Ltd (西藏天地綠色飲品發展有限公司) from which Glacier Water rented a building for production. For details of the tenancy relationship, please refer to Appendix IV — “Property Valuation Report” of the prospectus.

## HISTORY AND CORPORATE STRUCTURE

The following diagram illustrates the shareholding structure of Tibet Zhongji upon its incorporation.



- (1) Ms. Li is Mr. Yu's wife and Mr. Wang treated them as the same in business dealings, whose shareholding interest in Jintong was to be treated as interests held by Mr. Yu due to their spousal relationship. There was no trust arrangement between Ms. Li and Mr. Yu in respect of Ms. Li's 1% equity interest in Jintong.
- (2) Mr. Liu Min is a good friend of Mr. Wang for many years and Mr. Wang invited Mr. Liu Min to become a shareholder of Jintong with 4% equity interest. Mr. Wang paid for the par value of the 4% equity interest of Jintong and he did not ask Mr. Liu Min to reimburse him. There was also no trust arrangement between Mr. Liu Min and Mr. Wang in respect of Mr. Liu Min's 4% equity interest in Jintong. Mr. Liu Min is an Independent Third Party.
- (3) In 1997, Mr. Wang was looking for suitable investment projects and Jintong was formed by Mr. Wang with the view to use it as the holding company for suitable investment projects. Between 1997 and 2004, Jintong was not used to hold any substantial investment. In late 2003, when Vicwood and Sino Ocean were formed, Jintong became their investment holding company.

Under the initial terms of the Cooperative Contract, Zhongji Holdings would provide consultancy service and policy guidance and Sino Ocean and Vicwood would provide financial investment to Tibet Zhongji. The Cooperative Contract was supplemented by a license agreement (《许可使用合同》) dated November 8, 2003, signed by Zhongji Holdings and Tibet Zhongji, which provided that for an annual license fee of RMB4,000,000 payable by Tibet Zhongji to Zhongji Holdings, Tibet Zhongji would be given the right to use the Chinese name “中稷” for identification purposes in the course of Tibet Zhongji's business operations. According to the Cooperative Contract and its amendments, Zhongji Holdings has no equity interest in Tibet Zhongji, and has no voting power, investment power or right to any profit distribution and does not bear any losses as the CJV partner in Tibet Zhongji. We have been advised by Jingtian & Gongcheng, our PRC counsel, that such arrangements have been approved by the Department of Commerce of Tibet Autonomous Region, do not violate the Law on Chinese-Foreign Contractual Joint Ventures and other applicable laws and regulations and are legal and valid.

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## HISTORY AND CORPORATE STRUCTURE

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From 2004 to 2006, Tibet Zhongji primarily served as an investment vehicle through which the Founding Shareholders Mr. Wang and Mr. Yu sought business and investment opportunities in and relating to Tibet. As a result, Tibet Zhongji's authorised business scope was relatively broad, and permits it to engage in manufacturing and selling mineral water and beverage, energy transportation, network communication, import-export trade, real estate development and investment.

During the early development stage of the Group, the shareholders of Tibet Zhongji believed that it would be able to leverage on Zhongji Holdings' background to provide Tibet Zhongji with consultancy services on government policies and regulatory issues. However, no substantive consultancy services were required of Zhongji Holdings since Tibet Zhongji's establishment. The Group has included “中稷” as part of the Chinese name of Tibet Zhongji because the name is well-recognized in Tibet. However, today, the Group does not believe that it significantly relies on the Chinese name because the Group has developed stronger brand recognition under “5100 Tibet Glacial Water” throughout China.

As a result of the foregoing, on December 23, 2010, a memorandum of amendment was entered into between Sino Ocean, Vicwood and Zhongji Holdings to amend and supplement the Cooperative Contract (the “Amendment Memorandum”). Under the Amendment Memorandum, Zhongji Holdings confirmed that no license fee has been paid by Tibet Zhongji to Zhongji Holdings for the use of the Chinese name “中稷” and Tibet Zhongji will no longer be subject to such payment obligation; nevertheless, as Tibet Zhongji has become a successful joint cooperation project, Zhongji Holdings indicated to Tibet Zhongji that it desired our Group to continue using the Chinese name “中稷” as part of the company name of Tibet Zhongji. As a result, Zhongji Holdings and Tibet Zhongji agreed in the Amendment Memorandum that Tibet Zhongji may continue to use the Chinese name “中稷” without charge for the extended period up to December 31, 2034; no consultancy service nor policy guidance had been provided and no capital investment had been made, by Zhongji Holdings to Tibet Zhongji since the day of establishment of Tibet Zhongji.

### **Arrangements with Sichuan Hengsheng**

In late 2004, our founders made a decision to increase our registered capital to US\$14 million in order to demonstrate to the Tibet local government the Group's determination and commitment for investing and conducting a substantial business in Tibet. The Group would appeal to the Tibet local government to carry out infrastructural projects to meet the development needs of the Group. It was necessary that such increase in registered capital be completed within a short period of time. That became a financial constraint to our founders at the time as the founders were planning to purchase manufacturing equipment and machinery from foreign manufacturers to meet its development needs. In light of this development, our founders approached Sichuan Hengsheng, the management of which Mr. Wang had known since the 1990s, on making a capital contribution to increase Tibet Zhongji. It was understood that the funds provided by Sichuan Hengsheng to Tibet Zhongji would be paid by Sino Ocean and Vicwood to Sichuan Hengsheng promptly when our founders were able to do so. Sichuan Hengsheng is an Independent Third Party.

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## HISTORY AND CORPORATE STRUCTURE

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As a result of the foregoing, in September 2004, pursuant to the approval granted by Department of Commerce of Tibet Autonomous Region (西藏自治區商務廳), Tibet Zhongji entered into a financial arrangement with Sichuan Hengsheng on September 30, 2004 whereby Sichuan Hengsheng contributed US\$12,793,600 to Tibet Zhongji's registered capital, which was increased to US\$14,000,000. After the capital increase, Sichuan Hengsheng held 91.38% of the equity interest in Tibet Zhongji while Sino Ocean and Vicwood each held 4.31%. In June 2005, our Founding Shareholders acquired their interests in Tibet Zhongji through Sino Ocean and Vicwood, each of which acquired 45.69% of the equity interests held by Sichuan Hengsheng in Tibet Zhongji at a consideration of US\$6,393,800 each, which was calculated with reference to the then registered capital of US\$14,000,000 of Tibet Zhongji. After the acquisition, Sino Ocean and Vicwood each held 50% of the equity interest in Tibet Zhongji respectively. During the period in which Sichuan Hengsheng held equity interests in Tibet Zhongji, Sichuan Hengsheng did not appoint any director to its board and did not participate in the management of Tibet Zhongji.

Our PRC counsel has advised that the capital increase made by Sichuan Hengsheng and the share transfer from Sichuan Hengsheng to Sino Ocean and Vicwood have been approved by Department of Commerce of Tibet Autonomous Region and shall be legal and valid.

### **Trust Arrangement of Mr. Wang**

In 2005, the Project faced significant uncertainties as it was still in its initial stages of development. In particular, there was a lack of viable transportation between Tibet and the rest of China at the time. Uncertain of the level of success of his investment, Mr. Wang decided to place his shareholding in the Group with Ms. Zhou, whom Mr. Wang had known since 1987 and has been a trusted friend and confidant, and Ms. Zhou held those interests on Mr. Wang's behalf. Ms. Zhou is a U.S. citizen and currently a housewife.

According to Mr. Wang, no financial contribution was made by Ms. Zhou to the Project. The method adopted by Mr. Wang and Ms. Zhou in effecting the placing of Mr. Wang's shareholding in the Group with Ms. Zhou was through the transfer of Jintong's interests in the Group to Hongkong Zhongji. On June 10, 2005, Jintong transferred one share of each of Sino Ocean and Vicwood held at par value to Hongkong Zhongji. Hongkong Zhongji was incorporated in Hong Kong in 2005. Hongkong Zhongji was owned as to 90% by Starry Investment, which was Ms. Zhou's holding vehicle.<sup>1</sup> The remaining 10% was owned by Tibwatres Investment, a company wholly-owned by Ms. Li. No consideration had been exchanged between Ms. Zhou and Mr. Wang in connection with the transfer of Mr. Wang's interests in the Group in June 2005.

On September 9, 2005, Ms. Zhou as nominee executed a declaration of trust in respect of the one ordinary share (being the entire issued share capital) in her holding vehicle, Starry Investment, in favor of Mr. Wang as the beneficiary ("Declaration of Trust"). The Declaration of Trust was signed to acknowledge and confirm such trust arrangement has existed prior to September 2005 and that Ms.

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<sup>1</sup> Starry Investment was incorporated in BVI on April 28, 2005 as an investment holding company. Ms. Zhou became the shareholder of Starry Investment on May 29, 2005 holding one ordinary share which was the entire issued share capital of Starry Investment. Ms. Zhou held the said share in Starry Investment on behalf of Mr. Wang from May 29, 2005, though a declaration of trust was not signed until September 9, 2005. As a result, Starry Investment was beneficially wholly-owned by Mr. Wang via Ms. Zhou.

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## HISTORY AND CORPORATE STRUCTURE

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Zhou held the said share in Starry Investment, and all dividends and interest accrued and to accrue upon the same, upon trust for Mr. Wang. No consideration had been exchanged between Ms. Zhou and Mr. Wang in connection with the execution of the said Declaration of Trust. In view that the ultimate beneficial owners of Jintong and Hongkong Zhongji were substantially the same with Mr. Wang and Ms. Li effectively holding the beneficial interests of more than 95% of the issued share capitals of Jintong and Hongkong Zhongji respectively, it was considered by Jintong and Hongkong Zhongji that the transfer of the 1 share each in Sino Ocean and Vicwood at par value would be reasonable. In 2008, as the business operations of our Group became more mature, particularly in light of the railroad connecting Tibet with the rest of China completed in 2006 which made cost-effective transportation to and from Tibet feasible, Mr. Wang decided to acquire back his interest in Tibet Zhongji under his own name. In April 2008, he directed Ms. Zhou to effect the transfer of the 1 share each Hongkong Zhongji held in Sino Ocean and Vicwood at par value to Tibet 5100.<sup>(1)</sup> On September 22, 2009, Mr. Wang requested Ms. Zhou to effect the transfer of one share in Starry Investment back to him at the nominal consideration of US\$1.00 in pursuance of the Declaration of Trust.

We have been advised by Sit, Fung, Kwong & Shum, our Hong Kong legal adviser, that based on the confirmation and the examination of the Declaration of Trust provided to them by Mr. Wang,

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- (1) During the period in which the Declaration of Trust was effective, there were a number of changes at the holding vehicle level of our Group, but none resulted in a significant change in beneficial ownership of our Group. The following summarizes these shareholding changes.

From June 10, 2005 to April 28, 2008, Starry Investment held 90% direct interest in Hongkong Zhongji, Hongkong Zhongji held 100% direct interests in the investment holding companies (Sino Ocean and Vicwood) and 100% indirect interests in Tibet Zhongji.

On April 28, 2008, Hongkong Zhongji transferred the 1 share each it held in Sino Ocean and Vicwood at par value to Tibet 5100. In view that the ultimate beneficial owners of Hongkong Zhongji and Tibet 5100 were substantially the same with Mr. Wang, Mr. Yu and Ms. Li effectively holding the entire beneficial interests of the issued share capital of Hongkong Zhongji and Tibet 5100 respectively, it was considered by the parties that the transfer of the 1 share each in Sino Ocean and Vicwood by Hongkong Zhongji to Tibet 5100 at par value would be reasonable. No amount or consideration had been exchanged between Ms. Zhou and Mr. Wang in connection with the transfer by Hongkong Zhongji of the 1 share each in Sino Ocean and Vicwood to Tibet 5100.

During the period after the transfer of Sino Ocean and Vicwood from Hongkong Zhongji to Tibet 5100 on April 28, 2008, to September 22, 2009 (when the Declaration of Trust ceased to be effective upon Ms. Zhou transferring the one share held in Starry Investment being its entire issued share capital back to Mr. Wang), Hongkong Zhongji continued to be held as to 90% by Ms. Zhou on behalf of Mr. Wang under the said Declaration of Trust through his wholly-owned company Starry Investment, and as to 10% by Ms. Li through her wholly-owned company Tibwatres Investment.

After the transfer on April 28, 2008, Tibet 5100 held the entire issued share capital of Sino Ocean and Vicwood, and Sino Ocean and Vicwood in turn each held 50% of Tibet Zhongji. This shareholding position remained the same as of the Latest Practicable Date.

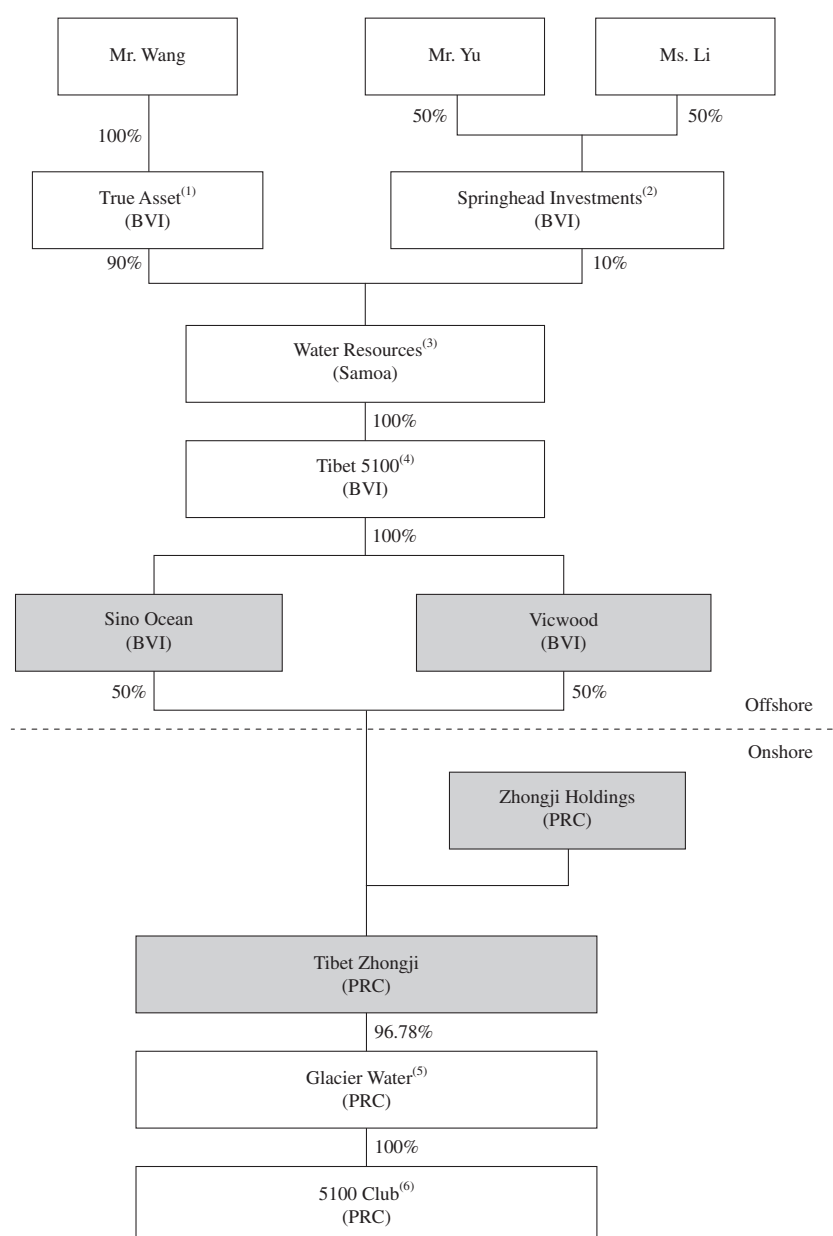
As of April 28, 2008, Tibet Zhongji held 96.78% equity interest in Glacier Water, the remaining 3.22% were held as to 0.25% by Chengdu Pushun and as to 2.97% by Able Long. Tibet Zhongji acquired the 0.25% equity interest held by Chengdu Pushun on December 8, 2008 at the consideration of RMB300,000, being the amount Chengdu Pushun had contributed to the registered capital. Tibet Zhongji acquired the 2.97% held by Able Long on January 4, 2009 at the consideration of RMB3,500,000, being the amount Able Long had paid for the acquisition of such equity interest.

## HISTORY AND CORPORATE STRUCTURE

the Declaration of Trust was valid and enforceable by Mr. Wang in respect of all dividends and interests accrued and to accrue before and after September 9, 2005, including the period from June 10, 2005 to September 22, 2009. Other than the foregoing Declaration of Trust, there was no other trust arrangement between Ms. Zhou and Mr. Wang which was, is or may be related to the Group.

Save as disclosed, Ms. Zhou does not have any interests or businesses which have past or present relationship with the Company, its subsidiaries, their directors or shareholders or any of their respective associates. The Company's PRC counsel have advised that, to the best of their knowledge, such trust arrangements do not violate relevant PRC laws and regulations.

The following diagram illustrates the shareholding structure immediately following Hongkong Zhongji transferring its one share each in Sino Ocean and Vicwood to Tibet 5100 in April 2008.



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## HISTORY AND CORPORATE STRUCTURE

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- (1) True Asset is a company incorporated in the BVI on January 2, 2004 and Mr. Wang became its shareholder on May 7, 2004.
- (2) Springhead Investments is a company incorporated in the BVI on January 22, 2007 and Mr. Yu and Ms. Li became its shareholders on February 15, 2007.
- (3) Water Resources was incorporated on May 29, 2006 in Samoa as a limited liability company. On October 1, 2006, one subscriber share was transferred to Starry Investment and 8,999 shares and 1,000 shares were subsequently allotted and issued to Starry Investment and Tibwatres Investment, respectively, on the same date. On March 23, 2007, True Asset and Springhead Investments purchased 9,000 shares and 1,000 shares, being 90% and 10% of the issued share capital in Water Resources, respectively, from Starry Investment and Tibwatres Investment respectively at par.
- (4) Tibet 5100 was incorporated in BVI as an investment holding company on January 19, 2006 and was authorized to issue a maximum of 50,000 no par value shares. It was named Water Enterprises Ltd. (香港水資源有限公司) upon its incorporation and renamed to its current name, Tibet 5100 Water Resources Ltd. (西藏5100水資源有限公司), on May 11, 2010. On April 24, 2006, Hongkong Zhongji subscribed for one share of and in Tibet 5100. On January 25, 2008, Water Resources acquired Tibet 5100 from Hongkong Zhongji by acquiring the entire issued share capital in Tibet 5100 then held by Hongkong Zhongji at the nominal consideration of US\$1.
- (5) Glacier Water (previously known as “Tibet Kangladuizi Mineral Water Co., Ltd.” (西藏康拉堆孜礦泉水有限公司)) was incorporated in Tibet, PRC as a limited liability company on October 31, 2005 with a registered capital of RMB10,000,000. Tibet Zhongji and Chengdu Pushun contributed RMB9,700,000 and RMB300,000 to Glacier Water’s registered capital respectively. Chengdu Pushun is a company incorporated in the PRC and is an Independent Third Party to our Group. Glacier Water’s authorized business scope includes beverages (bottled (barreled) drinking water (natural mineral water, drinking water)); highland barley beverages; saffron beverages; and import & export business. It is the manufacturer of our product. As of April 2008, Tibet Zhongji held 96.78% equity interest in Glacier Water, the remaining 3.22% were held as to 0.25% by Chengdu Pushun and as to 2.97% by Able Long. Able Long is a company incorporated in Hong Kong which is originally beneficially owned by Mr. Yu. It was then transferred by Mr. Yu (by transferring its entire issued share capital) to Carlsberg Brewery Hong Kong Limited, an Independent Third Party, on January 18, 2006 at HK\$1.00 after taking into account the then net asset value of Able Long. On April 11, 2008, Mr. Yu acquired back the entire issued share capital of Able Long from Carlsberg Brewery Hong Kong Limited also at HK\$1.00 after taking into account the then net asset value of Able Long. Able Long was dissolved by deregistration on November 12, 2010.
- (6) 5100 Club was incorporated in Beijing, PRC as a limited liability company on July 13, 2007. The main function of 5100 Club is to run as an operational and management platform of the Group for our product.

### Recent Changes in the Shareholding of the Group

Other than the transactions relating to the pre-IPO Investors (details of which are set out in the sub-section headed “Pre-IPO Investors” below), there were the following changes in the shareholding of the Group.

#### *Wilmar*

In April 2009, as part of a strategic investment, Water Resources sold a 25% equity interest in Tibet 5100 to Wilmar, an Independent Third Party whose shares are listed for trading on the Singapore Exchange Limited, at a consideration of RMB175,000,000, of which a payment of RMB50,000,000 was deferred. The consideration was arrived at after arm’s length negotiations between Water Resources and Wilmar. Wilmar is one of the largest agribusiness and food business in China with a nationwide sales and distribution network. Wilmar was introduced to our Group with a view to promote the business of the Group through introducing Wilmar’s marketing and sales plans as agreed in the shareholders agreement between Wilmar, Water Resources and Tibet 5100. During the period when Wilmar was a shareholder of Tibet 5100, the Group entered into a distribution agreement with Water Co., which was a company managed by Wilmar and functioned as part of a distribution network, to sell our bottled water. There was divergence in business strategies between our Group and Wilmar. The strategic cooperation with Wilmar ended a year later. In April 2010, Water Resources repurchased from Wilmar its equity interest in Tibet 5100 at a consideration of US\$19,428,533.76 after taking into account the unpaid deferred sum of RMB50,000,000 in pursuance of the mutual agreement reached between the parties.

## HISTORY AND CORPORATE STRUCTURE

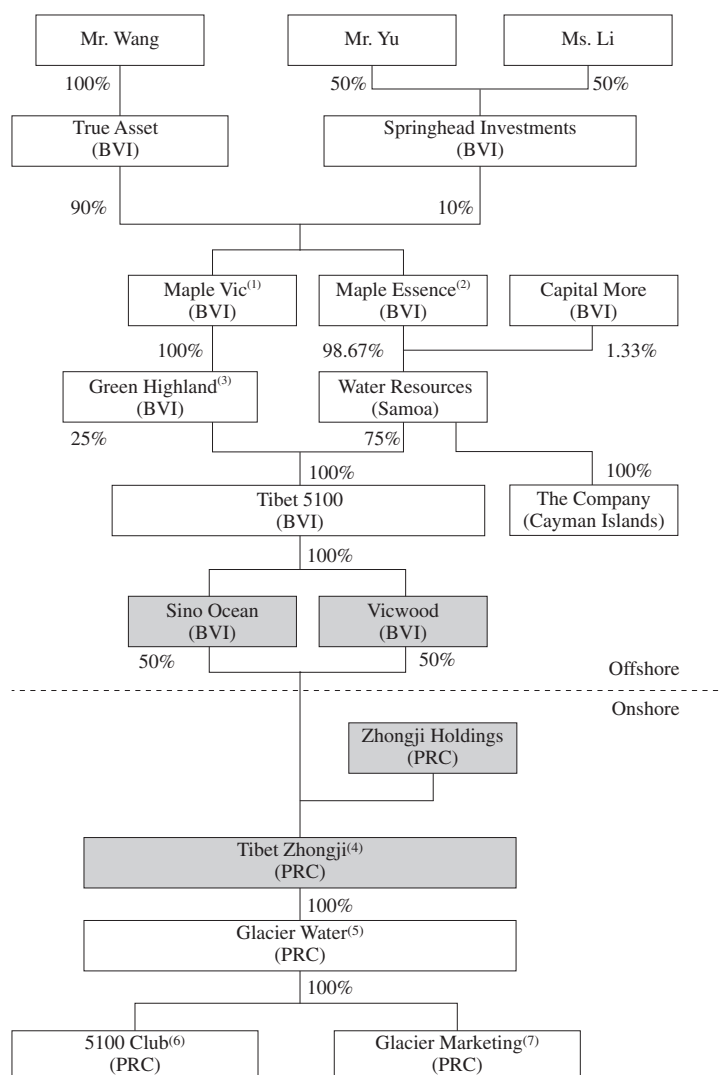
### *Capital More*

On May 31, 2010, Maple Essence sold a 1.33% equity interest in Water Resources to Capital More at a consideration of HK\$11,450,000 in cash. Capital More is wholly owned by Ms. Li Zheng Chun, who is a friend of Mr. Yu. Ms. Li Zheng Chun decided to invest in Water Resources based on her own assessment on the future prospect of the Group. The consideration was arrived at after arm's length negotiations between Capital More and Maple Essence. Both Capital More and Ms. Li Zheng Chun are Independent Third Parties.

### **Our Company**

On November 8, 2010, our Company was incorporated in the Cayman Islands as an exempted limited company. The initial authorised share capital of our Company was HK\$380,000, divided into 38,000,000 shares of HK\$0.01 each.

The following diagram illustrates our shareholding structure immediately upon the incorporation of our Company.





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## HISTORY AND CORPORATE STRUCTURE

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*Notes:*

- (1) Maple Vic is a company incorporated in the BVI November 27, 2009. Starry Investment and Tibwatres Investment each subscribed for 90 shares, being its 90% of the then issued share capital, and 10 shares, being its remaining 10% of the then issued share capital, on January 28, 2010, respectively. On April 15, 2010, True Asset and Springhead acquired from Starry Investment and Tibwatres Investment their respective 90 shares and 10 shares in Maple Vic to at par.
- (2) Maple Essence is a company incorporated in the BVI on October 28, 2009. 9,000 shares in Maple Essence were issued and allotted to True Asset on November 6, 2009 at the consideration of RMB675,000,000 which was satisfied by transferring to Maple Essence by True Asset 9,000 shares of US\$1.00 each in the share capital of Water Resources. On the same date, 1,000 shares in Maple Essence were issued and allotted to Springhead at the consideration of RMB75,000,000 which was satisfied by transferring to Maple Essence by Springhead 1,000 shares of US\$1.00 each in the share capital of Water Resources.
- (3) Green Highland is a company incorporated in BVI on March 3, 2010 and its entire issued share capital was allotted to Maple Vic on April 16, 2010. On May 26, 2010, Water Resources transferred 25 shares of and in Tibet 5100 to Green Highland at a consideration of US\$19,428,533.76, which is the same amount of consideration paid by Water Resources in acquiring back the 25 shares of Tibet 5100 from Wilmar. In view that the ultimate beneficial owners of Water Resources and Green Highland are identical, no valuation was made to determine the consideration of US\$19,428,533.76. The parties considered the consideration reasonable.
- (4) The main business of Tibet Zhongji is to hold the Mining License (採礦許可證) and the Production Safety License (安全生產許可證) for the production of our product.
- (5) Glacier Water is primarily engaged in the production and sale of our product.
- (6) 5100 Club primarily provides operational, supporting and management functions for our Company.
- (7) Glacier Marketing was incorporated in Tibet, PRC as a limited liability company on April 21, 2010 to engage in the sales of mineral water, beer and beverage. It has a registered capital of RMB3,000,000, which was entirely contributed by Glacier Water. Glacier Marketing is primarily engaged in the marketing, promotion distribution and retailing of our product.

### **Our Subsidiaries**

Details of the Company's investment holding companies (namely Tibet 5100, Sino Ocean and Vicwood) and the Company's operating companies (namely Tibet Zhongji, Glacier Water, 5100 Club and Glacier Marketing) are contained in Appendix VI — "Statutory and General Information" section of this prospectus.

## HISTORY AND CORPORATE STRUCTURE

### PRE-IPO INVESTORS

During late November and early December 2010, a number of strategic and financial investors purchased equity interests in Tibet 5100 from the Green Highland and Water Resources (the “Selling Shareholders”) and became shareholders in Tibet 5100. All these transactions were completed by December 3, 2010.

The following table sets out the key information on those transactions.

Investor	Date of signing share purchase agreement	Number of Shares in Tibet 5100 acquired	Shareholding in Tibet 5100 immediately after completion of the respective transaction	Total consideration	Completion Date and settlement date of consideration	Investment cost per share immediately after the Group Reorganisation and the Capitalization Issue approximately	Investment per share discount to:		Shareholding in the Company immediately after the Global Offering and:		
							(i) low-end of the Offer Price of HK\$2.62 approximately	(ii) high-end of the Offer Price of HK\$3.50 approximately			
<b>Strategic Investors</b>											
Bai Jun . . . . .	November 25, 2010	80	8%	HK\$240,000,000	November 30, 2010	HK\$1.47	43.89%	58%	8%	6.53%	6.36%
Victory Ride <sup>(1)</sup> . . . . .	November 19, 2010	33	3.3%	HK\$99,000,000	November 23, 2010	HK\$1.47	43.89%	58%	3.3%	2.69%	2.62%
<b>Financial Investors</b>											
Maotai <sup>(2)</sup> . . . . .	November 30, 2010	50	5%	HK\$150,000,000	November 30, 2010	HK\$1.47	43.89%	58%	5%	4.08%	3.97%
Raventon . . . . .	November 3, 2010	116	11.6%	HK\$348,000,000	November 29, 2010	HK\$1.47	43.89%	58%	11.6%	9.47%	9.21%
Fantastic World <sup>(3)</sup> . . . . .	December 16, 2010	37	3.7%	HK\$111,000,000	November 30, 2010 <sup>(4)</sup>	HK\$1.47	43.89%	58%	3.7%	3.02%	2.94%
Heartland Capital . . . . .	November 19, 2010	25	2.5%	HK\$75,000,000	November 30, 2010	HK\$1.47	43.89%	58%	2.5%	2.04%	1.99%
Highland Broadview . . . . .	November 4, 2010	15	1.5%	HK\$45,000,000	December 3, 2010	HK\$1.47	43.89%	58%	1.5%	1.23%	1.19%
Big Linkage . . . . .	December 3, 2010	2	0.2%	HK\$6,000,000	December 3, 2010	HK\$1.47	43.89%	58%	0.2%	0.16%	0.16%
<b>Total:</b> . . . . .		358	35.8%	HK\$1,074,000,000						29.22%	28.44%

(1) Victory Ride is an indirect wholly-owned subsidiary of ICBCI Holdings.

(2) Kweichow Moutai Distillery is the 80% ultimate beneficial shareholder of Maotai.

(3) Although the agreement was signed on December 16, 2010, the terms were agreed by the parties, and the purchase consideration was paid as of November 30, 2010. Accordingly, the parties agreed the agreement date should be dated November 30, 2010.

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## HISTORY AND CORPORATE STRUCTURE

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### General

During the Track Record Period, the Selling Shareholders received various enquiries from potential investors expressing interests to acquire shares in Tibet 5100. Starting from middle 2010, the Selling Shareholders began serious discussions with the interested potential investors. Various methods of investments were explored and examined. Between late November and early December 2010, the Selling Shareholders entered into eight sale and purchase agreements with the pre-IPO Investors and sold to them a total of 358 shares in Tibet 5100. The proceeds of these pre-IPO sales and purchases were paid to the Selling Shareholders, not to the Group.

The Selling Shareholders and the Company believed the controlling shareholders of the Strategic Investors, namely CCB and ICBC, are among the largest financial institutions on the mainland and will be able to assist our Group in further penetrating institutional sales channels, and in promoting and marketing our product to their own customers. The respective sale and purchase agreements therefore specified that the Strategic Investors and their respective controlling shareholders would execute agreements on strategic cooperation with our Group.

The Financial Investors are those who have agreed to acquire the Tibet 5100 shares from the Selling Shareholders on the commercial terms set by the Selling Shareholders. The Financial Investors came from different backgrounds. Apart from Ms. Li Hang who is a director of Glacier Water and also one of the individual investors in Highland Broadview, none of the pre-IPO Investors has any representation on the board of directors of the Company and/or its subsidiaries upon Listing.

All the terms in the pre-IPO sale and purchase agreements were agreed between the parties after arm's length negotiations.

All these pre-IPO sales and purchases of shares in Tibet 5100 were made based on an implied pre-money valuation of HK\$3,000,000,000. The said basis was set by the Selling Shareholders with reference to the net asset value, earnings and growth prospect of our Group at the time of the transaction and has been agreed to by all the pre-IPO Investors after arms-length negotiations. Pursuant to the Group Reorganisation, the shares in Tibet 5100 held by each of these investors were exchanged into the Shares of our Company.

The investment cost per share of all these pre-IPO sales and purchases of shares in Tibet 5100 at the time of the agreements, completion and settlement was the same, namely HK\$3,000,000. The investment cost per Share immediately after the Group Reorganization and the Capitalisation Issue will be approximately HK\$1.47.

Other key information regarding the pre-IPO Investors' sales and purchases of shares in Tibet 5100 has been set out in the table at the beginning of this sub-section headed "Pre-IPO Investors" of this prospectus.

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## HISTORY AND CORPORATE STRUCTURE

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### **About the pre-IPO Investors**

#### ***Bai Jun (CCBI)***

Bai Jun is a limited company incorporated under the laws of the BVI and is indirectly wholly-owned by CCBI. CCBI is a wholly-owned subsidiary of CCB which is listed on the Hong Kong Stock Exchange (stock code: 939) and the Shanghai Stock Exchange (stock code: 601939). Bai Jun is the investment vehicle used by CCBI in the pre-IPO sale and purchase agreement. The principal business of CCBI is in financial and capital markets services.

#### ***Victory Ride (ICBCI Holdings)***

Victory Ride is a limited company incorporated under the laws of the BVI and wholly-owned by ICBC International Investment Management Limited which in turn is wholly-owned by ICBCI Holdings. ICBCI Holdings is a wholly-owned subsidiary of ICBC, a company listed on the Hong Kong Stock Exchange (stock code: 1398) and the Shanghai Stock Exchange (stock code: 601398). Victory Ride is the investment vehicle used by ICBCI Holdings in the pre-IPO sale and purchase agreement. The principal business of ICBCI Holdings is in investment banking services.

Both Victory Ride and Bai Jun are Strategic Investors of our Group. They are not connected persons of the Company and their acquisitions of shares in Tibet 5100 were not financed directly or indirectly by a connected person of the Company. Further neither Victory Ride nor Bai Jun is accustomed to take instructions from a connected person of the Company in relation to the acquisition, disposal, voting or other disposition of securities of the Company registered in its name or otherwise held by it. Nevertheless, the controlling shareholders of Victory Ride and Bai Jun have entered into strategic cooperation agreements with the Group prior to Listing to provide sales and marketing support to our product. Taking on board this special relationship between the Group and the Strategic Investors, the Directors decided that the Shares held by Bai Jun and Victory Ride should not be counted as part of the public float.

Apart from disclosed in the above paragraph, both Victory Ride and Bai Jun are Independent Third Parties.

#### ***Maotai***

Maotai is a private company incorporated under the laws of Hong Kong and is held as to 80% by Kweichow Moutai Distillery and as to 20% by Kweichow Moutai Technical Development, both being shareholders of Kweichow Moutai, a listed company on the Shanghai Stock Exchange (stock code: 600519) whose principal business is the manufacturing and sales of Maotai liquor (茅臺酒). Maotai is the investment vehicle used in the pre-IPO sale and purchase agreement.

Maotai is an Independent Third Party. The Shares held by Maotai will be counted as part of the public float.

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## HISTORY AND CORPORATE STRUCTURE

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### ***Raventon***

Raventon is a private company incorporated under the laws of Hong Kong. Mr. Ye Shunjian and Mr. Zhao Shuwang, both are PRC nationals, are the ultimate beneficial owners of Raventon. Raventon's principal business is real property developments and operations in the PRC which it has engaged in since 1990s through PRC companies. Raventon is also engaged in equity investment in the PRC.

Raventon is not a connected person of the Company and its acquisition of shares in Tibet 5100 was not financed directly or indirectly by a connected person of the Company. Further Raventon is not accustomed to take instructions from a connected person of the Company in relation to the acquisition, disposal, voting or other disposition of securities of the Company registered in its name or otherwise held by it. Nevertheless upon the acquisition of 116 shares in Tibet 5100, Raventon's interests exceeded 10% of the total issued share capital of Tibet 5100. Although Raventon's interests will be less than 10% of the enlarged issue share capital of the Company immediately upon Listing (assuming the Over-allotment Option has not been exercised), the Directors decided the Shares held by Raventon should not be counted as part of the public float.

Apart from disclosed in the above paragraph, Raventon is an Independent Third Party.

### ***Fantastic World***

Fantastic World is a limited company incorporated under the laws of the BVI and is owned by Mr. Sun Tao. Mr. Sun Tao is a professional investor and whose principal business is in investments. Fantastic World was chosen by Mr. Sun Tao for the purpose of his investing in our Group.

Fantastic World is an Independent Third Party. The Shares held by Fantastic World will be counted as part of the public float.

### ***Heartland Capital***

Heartland Capital is a private limited company incorporated under the laws of the Republic of Mauritius. The principal business of Heartland Capital is to engage in equity investments in the PRC through a joint venture with Martin Currie Ltd. Martin Currie Ltd. is the holding company of Martin Currie Investment Management, an international investment management company, which engages in managing active equity portfolios for clients around the world, including financial institutions, charities, foundations, endowments, pension funds, family offices, government agencies and investments funds.

Heartland Capital is an Independent Third Party. The Shares held by Heartland Capital will be counted as part of the public float.

### ***Highland Broadview***

Highland Broadview is an investment holding company incorporated under the laws of the BVI. It was a special purpose company incorporated for the purpose of investing in our Group. The issued

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## HISTORY AND CORPORATE STRUCTURE

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share capital of Highland Broadview is owned by 11 individuals, namely Mr. David Li, Ms. Li Hang, Ms. Sun Hong, Ms. Wong Siu Oi, Mr. Zhang Weinan, Mr. Tung Lap Ming, Mr. Liu Dong, Ms. Yan Suet Yee Jun, Ms. Zheng Li, Ms. Wang Hong and Mr. Lo Chung. The rights and obligations of the 11 individuals as shareholders of Highland Broadview are set out in the Highland Broadview shareholders' agreement. The eleven individuals came from different backgrounds and the principal businesses of some of them are in various types of investments.

Apart from Ms. Li Hang, who is a director of Glacier Water, all the other 10 shareholders are Independent Third Parties.

Mr. Liu Chen, the sole director of Highland Broadview, is an Executive Director of our Company. As a result, Highland Broadview is an associate of our Company under the Listing Rules and a connected person to our Group. Taking into account this connection, the Directors decided that the Share held by Highland Broadview should not be counted as part of the public float.

### *Specific matters regarding the Highland Broadview shareholders' agreement*

Except with the prior written consent of the director of Highland Broadview, the shareholders of Highland Broadview shall not be permitted to assign, transfer, charge or deal with by way of trust or contract, or transfer to any subsidiary company or alter the ultimate beneficial owner of the shares in Highland Broadview.

When Highland Broadview exercises the first put option (as described below) or the second put option (as described below), the shareholders of Highland Broadview shall be entitled to a refund of their respective investments, being the amounts paid to Highland Broadview at the time of purchase of their respective shares in Highland Broadview.

In the event Highland Broadview does not exercise the first put option (as described below) or the second put option (as described below), Highland Broadview shall distribute its Shares to the shareholders of Highland Broadview as dividend in specie in proportion to their respective shareholdings in Highland Broadview. Such a distribution shall only be made one month after the expiry of the lock-up period (as described below).

Mr. Liu Chen, an Executive Director, is currently the sole director of Highland Broadview. Mr. Liu Chen's role as the sole director of Highland Broadview is to ensure that Highland Broadview will be managed and its assets will be protected in accordance with the Highland Broadview shareholders' agreement. Mr. Liu Chen does not have any personal interest in Highland Broadview.

The Highland Broadview shareholders' agreement shall terminate when Highland Broadview no longer holds any shares in Tibet 5100 or upon Listing any Shares in the Company.

Apart from the pre-IPO sales and purchases disclosed in this prospectus, our Group did not and will not enter into any other transactions with Highland Broadview during the Track Record Period and after Listing.

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## HISTORY AND CORPORATE STRUCTURE

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### *Big Linkage*

Big Linkage is a limited company incorporated under the laws of the BVI and is owned by Mr. Wang Yanlong. Big Linkage was a special purpose company incorporated for the purpose of investing in our Group and the nature of its business is consultant and general trading.

Big Linkage is an Independent Third Party. The Shares held by Big Linkage will be counted as part of the public float.

### **General terms of the sale and purchase agreements with pre-IPO Investors**

#### *Undertaking to share swap*

Tibet 5100 undertook in each of the pre-IPO sale and purchase agreements that it would procure our Company to issue such Shares under the share swap or such capitalized shares to the pre-IPO Investors on a pro rata basis upon the completion of the share swap and prior to the Global Offering.

#### *Undertaking to cooperate*

Warranties have been given by the Selling Shareholders and each of the pre-IPO Investors that the Selling Shareholders, Tibet 5100 and each of the pre-IPO Investors shall use their best endeavours to complete the Reorganization and the Listing in accordance with the listing timetable and such arrangements made by the Joint Sponsors, neither the Selling Shareholders nor pre-IPO Investors shall make any unreasonable requests, take any action, cause any delay or hindrance; or refuse to file, execute and provide such documents which are required for the Listing.

#### *Warranty on the Share percentage upon Listing*

A warranty has been given by the Selling Shareholders that the Selling Shareholders will not take any actions prior to Listing which would result in their joint shareholding in our Company to fall below 51% upon Listing. A further warranty has been given to Strategic Investors and Maotai that the Selling Shareholders shall together remain as the single largest shareholder of our Company during the period between the dates of completion of the respective pre-IPO Investor agreements and the exercise date of the put options (if exercised) or June 30, 2012.

### **Special terms of the sale and purchase agreements with pre-IPO Investors**

There are put options granted by the Selling Shareholders to the respective pre-IPO Investors which have been disclosed in the following sections headed “Strategic Investors and Maotai” and “Other Financial Investors”. The first put option rights will be terminated upon Listing. The second put option rights and the third put option rights (which third put option rights shall only be exercisable by the Strategic Investors and Maotai) will not be terminated upon Listing. Apart from the said put options, there are no special rights which have been granted to the pre-IPO Investors by the Company.

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## HISTORY AND CORPORATE STRUCTURE

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### Strategic Investors and Maotai

#### *Put options*

The Selling Shareholders have granted the following put option rights to each of CCBI (through Bai Jun) and ICBCI Holdings (through Victory Ride), which are our Strategic Investors, as well as to Maotai:

- *First put option.* In the event the Shares cannot be listed for trading on the Hong Kong Stock Exchange by December 31, 2011, each of our Strategic Investors and Maotai will be entitled to exercise a put option by requesting the respective Selling Shareholders to purchase all the Unlisted Shares. In the event of an exercise, the option exercise price will be the aggregate of (i) the consideration for the sale and purchase of shares in Tibet 5100 under the respective investment agreements plus (ii) all interests accrued daily on the principal amount of such consideration at the rate of 6-month HIBOR from the date of completion of the share sale (“Accrued Interests”).
- *Second put option.* In the event our profit after tax for the year 2011 is less than HK\$350,000,000 (the “2011 Performance Benchmark”), the respective investors will be entitled to exercise a put option by requesting the respective Selling Shareholders to purchase all of the Shares derived from the Unlisted Shares, at the considerations paid by the investors plus Accrued Interests.
- *Third put option.* If a Selling Shareholder commits a material breach of the investment agreement to which it is a party, which cannot be remedied, or it fails to remedy, the relevant investor will be entitled to exercise a put option within thirty (30) Business Days after the issuance and publication of our audited report for the year 2011 by requesting the respective Selling Shareholders under each individual agreement to purchase all the Shares derived from the Unlisted Shares at the considerations paid by the investors plus Accrued Interests. In addition, in the event the 2011 audited accounts of Tibet 5100 or our Group have not been issued by June 30, 2012 as the result of a major accident on the part of our Group, which is not attributable to an act or omission of the investors, these respective investors will be entitled to exercise a put option by requesting the respective Selling Shareholders to purchase all the Shares held by such investors and derived from the Unlisted Shares at considerations paid by the investors plus Accrued Interests within thirty (30) Business Days after June 30, 2012.

The above reference to the 2011 Performance Benchmark is a benchmark which the Selling Shareholders have agreed with the pre-IPO Investors for the purpose of determining whether the said investors have the right to exercise the second put option under the respective sale and purchase agreements, a private arrangement agreed between the respective Selling Shareholders and the respective pre-IPO Investors; the reference to the 2011 Performance Benchmark does not constitute a guarantee or forecast of the future profitability of the Group.



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## HISTORY AND CORPORATE STRUCTURE

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### *Shareholder guarantees*

Mr. Wang and Mr. Yu provided their personal guarantees to our Strategic Investors and Maotai in relation to their respective obligations under the put options. The personal guarantees will be released upon the earlier of the following date (a) December 31, 2012; and (b) the date on which our Strategic Investors and Maotai sold their respective entire shareholdings in the Company after Listing.

### *Lock-up period*

Pursuant to the supplemental agreements entered into between (i) Bai Jun, Green Highland and Tibet 5100 dated April 13, 2011; (ii) Victory Ride, Water Resources and Tibet 5100 dated May 3, 2011; and (iii) Maotai, Water Resources and Tibet 5100 dated May 3, 2011, our Strategic Investors and Maotai have agreed to be subject to a lock-up period of six months from the date of Listing.

### *Strategic cooperation*

Each of CCBI (through Bai Jun) and ICBCI Holdings (through Victory Ride), has entered into negotiations with our Group, and our Group have executed strategic cooperative agreements (the “Strategic Cooperative Agreements”) in March and April 2011 respectively with (i) ICBCI Holdings, and (ii) CCBI and the Tibet Branch of CCB (中國建設銀行股份有限公司西藏分行).

Under the Strategic Cooperative Agreements, CCBI and ICBCI Holdings have separately agreed with our Group to develop a long term cooperative and mutually beneficial relationship. CCBI and ICBCI Holdings have agreed, separately and on several basis, inter alia that they shall, subject to relevant laws and regulations of PRC, use reasonable commercial endeavours to:-

- coordinate the group companies of their respective controlling shareholders to assist our Group in the marketing and development of our product;
- assist our Group to obtain from relevant regulatory institutions (such as People’s Bank of China (中國人民銀行)) the qualification of conducting the third party payment business by non-financial institutions (非金融機構第三方支付業務許可資格), and to place the proceeds from the sale of water cards in escrow with the relevant affiliates of the Strategic Investors;
- provide assistance to coordinate their respective controlling shareholders and group companies to assist to promote the publicity and sales of our product at such bank branches as agreed between the Strategic Investors and our Group, including selling water cards and putting up promotional materials at such branches;
- coordinate their respective controlling shareholders and group companies to promote the water card business of our Group through online banking system; and

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## HISTORY AND CORPORATE STRUCTURE

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- provide assistance under their respective names or coordinate their respective controlling shareholders and group companies to assist to use our product as the designated drinking water for their receptions and internal conferences.

Our Group will also strengthen the cooperation with CCBI and ICBCI Holdings in the areas of initial public offerings, financial advisory, direct investment, asset management and securities brokerage, and will also regard CCBI and ICBCI Holdings and/or their respective group companies or affiliates as one of our Group's preferred partners in investment banking business.

Specifically, in the Strategic Cooperative Agreement between our Group, CCBI and Tibet Branch of CCB, Tibet Branch of CCB has agreed to set up a designated service team for our Group in providing one-stop financial services to support our Group's business development. Our Group will strengthen the cooperation with Tibet Branch of CCB in the business of credit, settlement and foreign exchange as well as deposit service and financial planning, and, provided other banks are offering the same terms and conditions, will give priority to Tibet Branch of CCB for our Group's traditional commercial banking business; our Group will also give priority to Tibet Branch of CCB as one of our Principal Bankers.

CCBI and the Group will, on reasonable commercial effort, negotiate for the conclusion of definitive agreements to implement the cooperation arrangements contemplated under the Strategic Cooperative Agreements, the exact scope and terms of which will be subject to agreement between the relevant parties as permitted by the relevant laws and regulations.

### **Other Financial Investors**

#### *Put options*

We have granted the following put option rights to each of the Financial Investors (other than Maotai whose terms of the pre-IPO sale and purchase including the put option rights followed those of the Strategic Investors):

- *First put option.* In the event the Shares cannot be listed for trading on the Hong Kong Stock Exchange by December 31, 2011, each of our financial investors will be entitled to exercise a put option by requesting the respective Selling Shareholders to purchase all the Unlisted Shares. In the event of exercise, the option exercise price will be the consideration for the sale and purchase of shares in Tibet 5100 under the respective investment agreements.
- *Second put option.* In the event our profit after tax for the year 2011 is less than HK\$350,000,000, the respective investors will be entitled to exercise a put option by requesting the Selling Shareholders to purchase all of the Shares derived from the Unlisted Shares, at the considerations paid by the investors.

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## HISTORY AND CORPORATE STRUCTURE

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### *Lock-up period*

Our Financial Investors (other than Maotai whose terms of the pre-IPO sale and purchase including the lock-up period followed those of the Strategic Investors) have agreed to be subject to a lock-up period that continues from the respective completion dates of the agreements until June 30, 2012 or such date as may be otherwise agreed.

The Financial Investors (other than Maotai) shall pay damages to their respective Selling Shareholders, calculated at half of the considerations stated in the respective sale and purchase agreements for the shares in Tibet 5100 if they or their respective ultimate controlling shareholders should breach the lock-up warranty.

### *Effect on Public Float*

Maotai, Heartland Capital, Big Linkage and Fantastic World are not connected persons of our Company under the Listing Rules after the share swap of their equity interest in Tibet 5100 into our Company, they did not acquire interests in our Company with finance provided directly or indirectly by a connected person and they do not take instructions from a connected person in relation to the acquisition, disposal, voting or other disposal of shares of our Company registered in their respective names; they should be regarded as members of the public at the Listing and after the Listing pursuant to Rule 8.24 of the Listing Rules.

## CORPORATE STRUCTURE

### **Group Reorganization**

In preparation for Listing, our Group has undergone corporate reorganization and the steps are as follows:

#### **(1) *Acquisition of Tibet 5100***

On June 13, 2011, according to the share swap agreement between our Company and the then shareholders of Tibet 5100, our Company acquired all the issued shares of Tibet 5100 from its existing shareholders. The consideration of the acquisition of Tibet 5100 was our Company allotting and issuing 1,160 Shares, 150 Shares, 330 Shares, 250 Shares, 800 Shares, 500 Shares, 20 Shares, 370 Shares and 6,419 Shares to Raventon, Highland Broadview, Victory Ride, Heartland Capital, Bai Jun, Maotai, Big Linkage, Fantastic World and Water Resources respectively as paid up Shares.

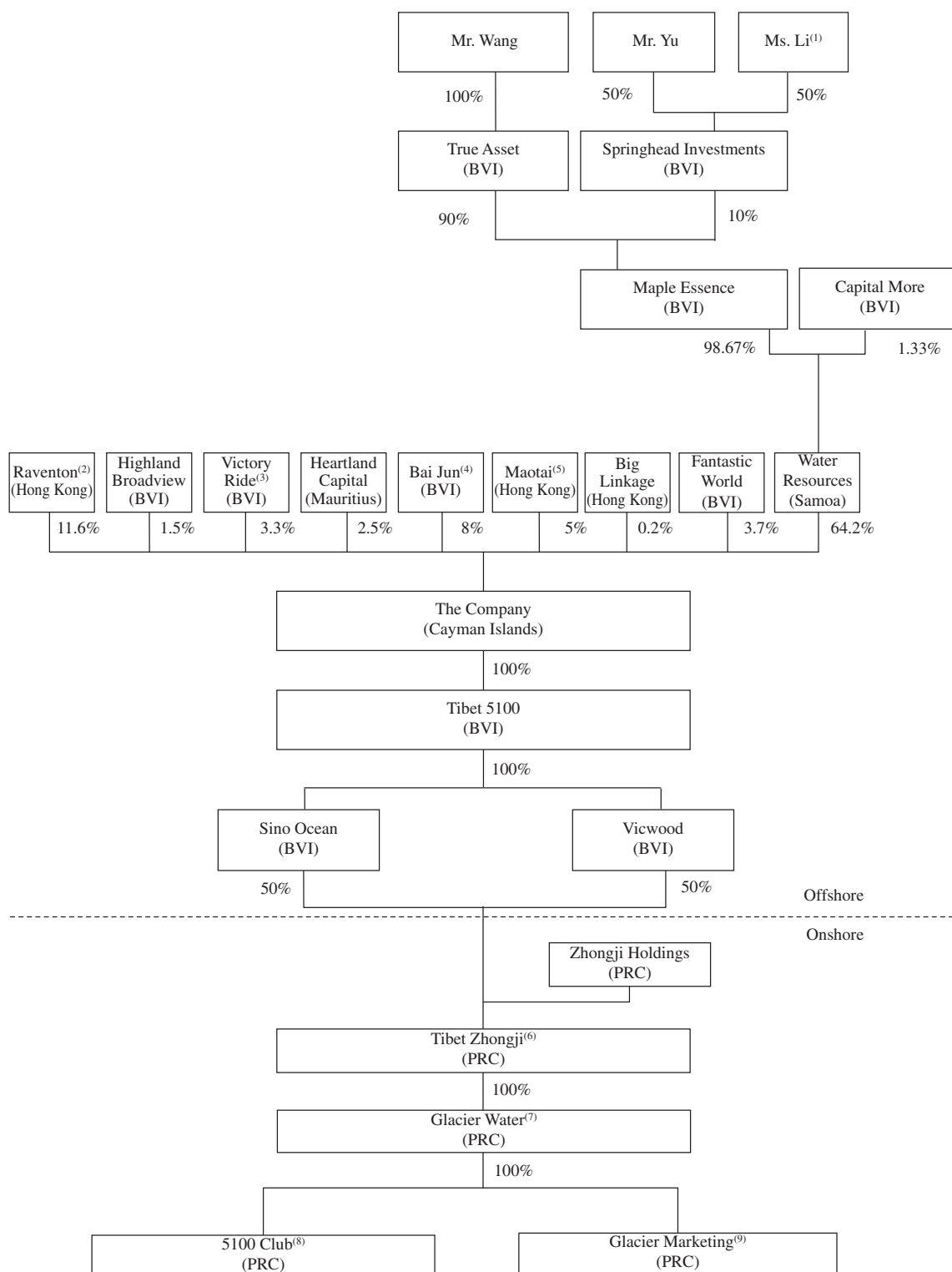
#### **(2) *Capitalization Issue***

Conditional on our Company's share premium account being credited as a result of the issue of the Offer Shares under the Global Offering, the Directors are authorized to capitalize a total sum of HK\$20,407,000 from the share premium account. The capitalization will be by way of applying the above stated sum to pay up in full a total number of 2,040,700,000 Shares to be issued and allotted at par value to Raventon, Highland Broadview, Victory Ride, Heartland Capital, Bai Jun, Maotai, Big Linkage, Fantastic World and Water Resources pro rata to their existing shareholding in our Company.

## HISTORY AND CORPORATE STRUCTURE

The Company's PRC counsel has advised that, the Company has obtained all requisite permits and approvals for each stage of the corporate reorganisation within the PRC, where such permits and approvals from relevant PRC authorities are required.

The following diagram illustrates our shareholding structure immediately prior to the Global Offering:



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## HISTORY AND CORPORATE STRUCTURE

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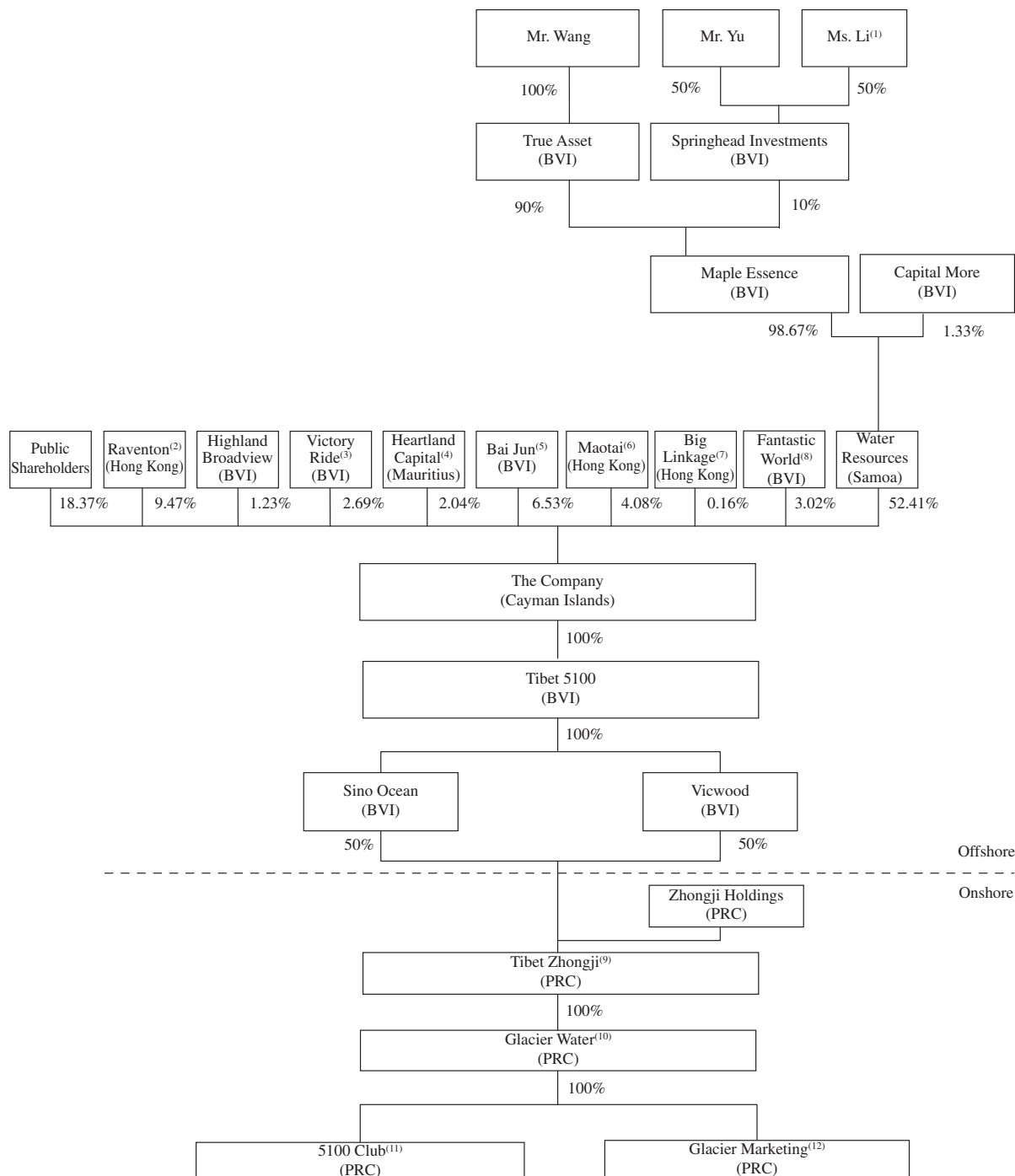
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*Notes:*

- (1) Ms. Li is the wife of Mr. Yu.
- (2) Mr. Ye Shunjian and Mr. Zhao Shuwang are respectively 85% and 15% ultimate beneficial shareholders of Raventon.
- (3) Victory Ride is an indirect wholly-owned subsidiary of ICBCI Holdings.
- (4) Bai Jun is an indirect wholly-owned subsidiary of CCBI.
- (5) Kweichow Moutai Distillery is the 80% ultimate beneficial shareholder of Maotai.
- (6) The main business of Tibet Zhongji is to hold the Mining License (採礦許可證) and the Production Safety License (安全生產許可證) for the production of our product.
- (7) Glacier Water is primarily engaged in the production and sale of our product.
- (8) 5100 Club primarily provides operational, supporting and management functions for our Company.
- (9) Glacier Marketing is primarily engaged in the marketing, promotion, distribution and retailing of our product.

## HISTORY AND CORPORATE STRUCTURE

The following diagram illustrates our shareholding structure immediately following the completion of the Global Offering (but not taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option):



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## HISTORY AND CORPORATE STRUCTURE

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*Notes:*

- (1) Ms. Li is the wife of Mr. Yu
- (2) Mr. Ye Shunjian and Mr. Zhao Shuwang are respectively 85% and 15% ultimate beneficial Shareholders of Raventon.
- (3) Victory Ride is an indirect wholly-owned subsidiary of ICBCI Holdings.
- (4) The Shares held by Heartland Capital will be counted as part of the public float.
- (5) Bai Jun is an indirect wholly-owned subsidiary of CCBI.
- (6) Kweichow Moutai Distillery is the 80% ultimate beneficial shareholder of Maotai. The Shares held by Maotai will be counted as part of the public float.
- (7) The Shares held by Big Linkage will be counted as part of the public float.
- (8) The Shares held by Fantastic World will be counted as part of the public float.
- (9) The main business of Tibet Zhongji is to hold the Mining License (採礦許可證) and the Production Safety License (安全生產許可證) for the production of our product.
- (10) Glacier Water is primarily engaged in the production and sale of our product.
- (11) 5100 Club primarily provides operational, supporting and management functions for our Company.
- (12) Glacier Marketing is primarily engaged in the marketing, promotion, distribution and retailing of our product.

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## OUR BUSINESS

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### OVERVIEW

We produce a leading brand in the fast-growing premium bottled mineral water market in China. We established our leading market position by executing a growth strategy that focuses on penetrating institutional sales channels, an approach which distinguishes us from our competitors. Our targeted institutional purchasers consist of rail transport operators, commercial banks, airlines, government organizations and other major corporations in China which frequently have a large base of middle to high income customers and significant bulk purchase demand for our products. We have established a long-term strategic relationship with CRE. In addition, we have entered into sales agreements with Air China, BP-PetroChina JV and China Post, and strategic cooperative agreements with CCBI and ICBCI Holdings. According to Euromonitor, in 2010, retail sales volume and revenue of premium bottled mineral water represented 7.9% and 45.3%, respectively, of the overall bottled mineral water market in China, and our brand, “5100 Tibet Glacier Spring Water”, or “5100”, ranked first in terms of sales volume in the premium market segment in 2010, with a market share of 28.5% in China.<sup>(1)</sup> The Group’s sales volume in 2010 represented a market share of 2.2% in the overall bottled mineral water market in China. Such sales volume in 2010 includes volume sold to CRE under a buy-one-get-one-free arrangement entered into in 2008. Under this buy-one-get-one-free arrangement, CRE accounted for approximately 90.9%, 89.7% and 89.5% of our sales volume in 2008, 2009 and 2010, respectively. This sales volume to CRE represented a market share of 1.1%, 1.7% and 2.0% in the overall bottled mineral water in China in 2008, 2009 and 2010, respectively. We believe our success in executing this strategy has helped us to rapidly gain market share, brand recognition and secure numerous blue-chip institutional purchasers under long-term contracts. We believe that a combination of our current leading market position, established brand, strong existing institutional relationships and ability to develop additional institutional relationships positions us well to capitalize on the fast-growing premium bottled mineral water market in China.

We have positioned our “5100” brand as a premium brand by emphasizing the uniqueness and purity of our glacial spring mineral water, which is sourced from a unique glacial spring at 5,100 meters above sea level. Our product contains only glacial spring mineral water collected and bottled in close proximity to the water source at the Nianqing Donggula Mountains in Tibet, one of the world’s most remote and pristine locations, which is deep inside the mountain range without easily accessible transportation. In addition, our water source is a natural spring, where water comes to the surface from deep underground. These factors provide our water source with natural protection against contamination and man-made pollution. The mineral and microelement content of our product meets both the PRC New National Standard and European Union standards for natural mineral water and our production process is designed to preserve the natural qualities of our water source. Since 2007, our water source was the only water source in Tibet that was recognized by the Natural Spring Mineral Water Committee of China Mining Confederation as one of “China’s High Quality Mineral Water Sources”. We adhere to a strict quality control system in every stage of our operation process, from the sourcing of the water to processing, packaging, transportation and storage, with a view to ensuring the highest quality standards. In 2007, our “5100” brand won the Brand China Gold Spectrum Award in the China Brand Festival.

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(1) As defined by Euromonitor, premium bottled mineral water is characterized by a premium brand image and generally has a retail price of not less than RMB5 per 500 ml bottle.



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## OUR BUSINESS

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Premium bottled mineral water is consumed primarily by middle to high income consumers and institutional purchasers such as corporations and government organizations in China. To rapidly penetrate the premium market segment, we have developed a growth strategy that focuses on sales to targeted institutional purchasers. In 2007, we established a strategic relationship with CRE, which is controlled by the MOR and acts as its procurement agent. Our relationship with CRE has enabled us to become the supplier of bottled water to approximately 200 million passengers on high-speed and CRH trains in China from its commencement of operations in 2007 to December 31, 2010. This relationship also enabled us to distribute our product throughout the MOR's distribution network, comprising of retail outlets and restaurants in 131 train stations and 115 mid- to high-end hotels across China operated by the MOR and its affiliates, and on board trains that make approximately 2,800 train trips per day, as of December 31, 2010. In December 2010, we extended our contract with CRE for an additional three years to supply a specified volume of water at a fixed price per bottle each year. Our relationship with CRE provides us with a secure and fast-growing source of revenue, and has helped us gain brand recognition and market leadership in a relatively short period of time.

Building on the experience of our highly successful relationship with CRE, we have entered into sales agreements with Air China, BP-PetroChina JV and China Post, and strategic cooperative agreements with CCBI and ICBCI Holdings. Like CRE, these institutional purchasers have significant bulk purchase demand for premium bottled water products for distribution to their customers. For example, Air China provides our product to their passengers as part of their in-flight service; and BP-PetroChina JV and the other institutional purchasers provide our product as gifts to customers under their loyalty programs and also distribute our product through their extensive distribution networks. We have also developed a water card that allows its holder to redeem and receive direct delivery of our premium bottled water throughout China. Our water card has enabled us to access the distribution networks of certain institutional purchasers, such as banks and post offices, that are not traditional distributors of consumer products. We also sell directly to government organizations and have supplied to high profile government conferences and events, which has further enhanced our brand image and recognition. For instance, we were the official supplier of bottled water to the ceremony celebrating the 60th anniversary of the founding of the People's Republic of China in 2009 and to the meetings of the NPC since 2007 and the CPPCC since 2008. The further development of institutional sales channels through establishing additional strategic relationships will continue to be our primary growth strategy in the foreseeable future.

In addition to institutional sales channels, we are also actively developing traditional retail distribution channels which are owned by third parties. We have rapidly developed retail distribution networks to include a wide range of retail outlets, including hotels, bars and restaurants, supermarkets and convenience stores. As of December 31, 2010, we had a total of 2,875 points of sale for our product excluding the points of sale within the MOR network. Our product is available at higher-end supermarket chains in China such as Walmart, Carrefour, Metro and Auchan, four and five star hotels, including Shangri-la Hotels, and convenience store chains such as Lawson and Watsons. The continued development of our traditional retail sales channels will also be an important aspect of our growth strategy.

We have established an efficient logistics network to facilitate the nationwide delivery of our product and the transportation of raw materials to our production sites in a timely manner. As part of our strategic relationship with CRE, which is the largest land-based logistics services provider in terms of network coverage in China, we have entered into arrangements to provide us with integrated

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## OUR BUSINESS

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logistics solutions, including dedicated rail transportation capacity and storage centers that cover our four major sales regions. We have also established logistics arrangements with FedEx and China Post to achieve integrated and comprehensive delivery coverage across China. Consumers who buy our bottled water in the form of water cards redeemable for delivery can have our bottled water delivered to them throughout China, which is a convenient service that sets us apart from our competitors. Our relationship with CRE and access to its logistics network, coupled with our relationship with FedEx and China Post, has allowed us to further develop a new sales channel of home delivery, which is a convenient service that distinguishes us from our competitors.

The PRC central government has in recent years implemented a series of policies to encourage investment in Western China and Tibet. In addition, as a major enterprise based in Tibet and employer of ethnic Tibetans, we have gained strong support from the local government in various aspects, including preferential tax treatments and government grants. We expect to continue to benefit from such preferential policies and government support in the future.

Premium bottled glacial spring water is currently our only product, and we rely heavily on the product's brand name and our reputation to generate sales. We have grown rapidly since our inception. In 2008, 2009 and 2010 respectively, we sold 34,417, 60,683 and 81,576 tonnes of bottled water. Our revenue has also increased significantly from RMB119.5 million in 2008 to RMB215.8 million in 2009 and to RMB360.5 million in 2010. We generated profit of RMB11.9 million, RMB47.4 million and RMB115.2 million in 2008, 2009 and 2010, respectively, and our operating margin increased from 15.1% in 2008 to 25.4% in 2009 and to 37.4% in 2010.

### OUR COMPETITIVE STRENGTHS

We believe the following strengths provide us with significant competitive advantages and position us well to capitalize on the fast-growing premium bottled mineral water market in China.

#### **Established Market Leadership and Brand Recognition**

“5100 Tibet Glacier Spring Water” is the leading brand of premium bottled mineral water in China. Our brand ranked first in terms of sales volume in the premium market segment in 2010, with a market share of 28.5% in China, according to Euromonitor. Our sales volume in 2010 includes volume provided to CRE under a buy-one-get-one-free arrangement entered into in 2008. We established our leading market position by executing a growth strategy that focuses on penetrating institutional sales channels, an approach which distinguishes us from our competitors. Our targeted institutional purchasers consist of rail transport operators, commercial banks, airlines, government organizations and other large corporations which tend to have a large base of middle to high income customers and significant bulk purchase demand to meet their customers' consumption needs. Our brand has gained wide recognition as a premium brand in the bottled mineral water market in China. We are the supplier of bottled water to passengers on all high-speed and CRH train services in China and are also one of the major suppliers to passengers on Air China's flights. Our bottled water was the official bottled water served at the ceremony celebrating the 60th anniversary of the founding of the PRC, at the meetings of the NPC since 2007 and the CPPCC since 2008, and in a number of other high profile government meetings and events, such as the cross-strait conferences between the Straits

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## OUR BUSINESS

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Exchange Foundation and the Association for Relations Across the Taiwan Straits and the People's Republic of China Pavilion at the 2010 World Expo in Shanghai. In 2007, we won the Brand China Gold Spectrum Award in the China Brand Festival. We believe our leading market position and brand recognition represent significant competitive advantages.

### **Strong Relationships with Major Corporations and Government Institutions**

Premium bottled mineral water is consumed primarily by middle to high income consumers and procured by institutional purchasers such as corporations and government organizations in China. In order to rapidly penetrate the premium segment, we have formed strategic cooperative relationships with a number of institutional purchasers who purchase our product to meet their customers' consumption needs, as gifts to customers as part of their loyalty programs or for sale through their own retail network. Our strategic partners are typically the leading service providers within very large and fast-growing consumer markets in China, such as high-speed rail travel, air travel, petrol stations and commercial banking. These strategic cooperative relationships enable us to rapidly penetrate large captive groups of end consumers in the middle to high income bracket to rapidly grow our market share and brand recognition. Among these relationships are those that involve contracts with purchase volume, enabling us to secure these high-growth sources of revenue. Furthermore, our early mover advantage in securing these strategic cooperative relationships with institutional purchasers has effectively created a barrier of entry for our competitors with respect to these institutional sales channels that include Air China, BP-PetroChina JV, CCBI, ICBCI Holdings and China Post, which represent leading service providers in rapidly growing markets.

Our ability to penetrate existing institutional sales channels and develop further strategic relationships with additional institutional purchasers represents a significant competitive advantage which has enabled us to rapidly build our market share and brand recognition, and will enable us to continue to achieve strong growth in the future.

### **Exclusive Access to a Unique Glacial Spring Mineral Water Source**

Our product contains only glacial spring mineral water collected and bottled in close proximity to the water source at the Nianqing Donggula Mountains in Tibet. Due to its altitude and geographical location, the Nianqing Donggula Mountains is one of the world's most remote and pristine locations with a very low level of man-made pollution and contamination. The natural qualities of our glacial spring mineral water distinguish us from most brands of bottled water which are classified as purified water, mineral water or spring water. Given its frozen state, glacial water generally has lower contaminant and bacteria levels than other types of water. Our water source, the Qumaduo Spring, is also unique in that it originates from a glacier and passes through layers of underground rocks for years before it gushes to the surface, and contains a rich and well balanced amount of minerals and microelements, including calcium, magnesium, lithium, strontium and meta-silicic acid. According to ALECTIA and the reports conducted by Chinese Academy of Inspection and Quarantine and Tibet Entry-Exit Inspection and Quarantine Bureau in 2008 and 2009, our mineral water complies with not only national standards but also all European chemical parameters required by the European Union Commission Directives for natural spring mineral water.

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## OUR BUSINESS

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Our source of glacial spring mineral water is in sufficient supply to support our long term production needs. According to ALECTIA, an Independent Third Party consultancy service company specializing in the bottled beverage production industry, the maximum extractable volume of spring water from our spring heads is approximately 1.1 million tonnes per annum, which is sufficient to support our future production increase as we have only extracted 81,431 tonnes in 2010. Furthermore, according to ALECTIA, our water source and catchment area is located in a remote area and naturally protected by the geological features of the mountainous region, which results in a low risk of man-made pollution and contamination.

### **Efficient, Integrated and Comprehensive Nationwide Logistics Network**

In light of the location of our operations in Tibet, we recognize the importance of establishing an efficient logistics network to facilitate the nationwide delivery of our product and the transportation of raw materials to our production sites in a timely manner.

To this end, we have established an efficient, integrated and comprehensive logistics network to facilitate the transportation of raw materials to our production sites in Tibet and the delivery of our bottled water across China. We entered into a strategic partnership with CRE, which is the largest land-based logistics services provider in terms of network coverage in China, to provide us with integrated logistics solutions for the transportation and storage of our raw materials and bottled water. The logistics network of CRE reaches over 1,800 cities and towns in China and includes last-mile delivery services to the final destination from the train stations. As part of these arrangements, CRE provides us with daily dedicated transportation capacity from Lhasa to the rest of China through its railway network and maintains five dedicated storage centers, including one in close proximity to our production facilities in Tibet and four railway transit hub cities in Shanghai, Beijing, Guangzhou and Chengdu to cover our four major sales regions. Through the logistics network of CRE, we are generally able to deliver our product to our distributors between seven to ten days from the placement of the order, which in turn enables us to increase our inventory turnover and maintain low inventory levels. In addition to rail shipment, we have also established logistics arrangements with FedEx and China Post to achieve integrated and comprehensive coverage across China and fulfillment for water card based deliveries.

To support the development of water cards redeemable for delivery of our product as an innovative sales tool, we have established a call center in Beijing to handle the delivery requests of water card holders. Upon receiving a water card holder's call placing an order, our product is shipped from the closest warehouse maintained by CRE or FedEx to arrive at the customer's door within 48 hours. Our ability to exploit the efficient logistics networks of CRE and FedEx allows delivery of our bottled water across China on a reliable and timely basis. This unique delivery service distinguishes us from our competitors because our bottled water is deliverable throughout China, regardless of where the water card was purchased.

### **Comprehensive Water Source Protection and World-Class Production Facilities**

We believe that the ability to produce a high-quality glacial spring mineral water product is essential to maintain our market leading position. Accordingly, we adhere to a strict quality control system drafted and proposed and supervised by ALECTIA, in every stage of our operation process, from water source management, sourcing of raw materials, processing, packaging to storage and delivery, in order to preserve the natural qualities of our water source and minimize the likelihood of

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## OUR BUSINESS

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contamination. We have also established a special product quality monitoring team to ensure the implementation of all the quality control policies, which have been certified to comply with a variety of industry standards.

### **Experienced Management Team with Proven Track Record**

We believe the market leadership position we have achieved over a relatively short period of time is largely attributable to the vision and execution capabilities of our senior management. Our senior management team has extensive experience in the food and beverage industries, which has helped to lead our company to profitability within two years from commencement of production. Our chairman, Mr. Yu Yiping Wallace, who is instrumental in the development of our vision and strategy, has over 26 years of experience in business management, trading and investment. Our chief executive officer, Mr. Fu Lin, had more than ten years of management and financing experience with Tibet-based businesses before joining our Company in 2006, has played a pivotal role in formulating our overall corporate strategy and establishing business relationships. Our chief financial officer, Mr. Lee Kai Leung, has over 10 years of financial and accounting experience. Our production is managed and supervised by Mr. Yue Zhiqiang, has over 23 years of experience in manufacturing plant operation, especially for beverage. The General Manager of our sales department, Mr. Li Lianghong, has more than ten years of experience in the food industry and served at China's largest edible oil company, Wilmar, for more than ten years; he had served as sales manager for Sichuan Province. Our senior management's extensive knowledge and experience in the food and beverage industries have also helped them cultivate in-depth and extensive relationships with major corporations, governmental agencies, strategic partners, distributors and other industry participants, which we believe will contribute to our future growth.

### **OUR STRATEGIES**

We intend to further strengthen our position as the leading brand of premium bottled mineral water in China with the aspiration to become a leading global brand of premium bottled water by implementing the following strategies:

#### **Develop Additional Strategic Relationships with Targeted Institutional Purchasers**

We will continue to focus on developing institutional sales channels as our key growth strategy. We will seek to develop additional strategic relationships with targeted institutional purchasers by continuing to leverage on the uniqueness, excellent quality and strong brand recognition of our product, coupled with our efficient logistics network. We intend to further replicate our CRE-partnership model and develop more strategic partnerships with institutional purchasers that fit our target profile, including major corporations and government institutions which have significant bulk purchase demand, extensive distribution networks and a large base of middle to high income customers. We recently entered into sales agreements with BP-PetroChina JV, Air China and China Post, and strategic cooperative agreements with CCBI and ICBCI Holdings. In addition, we are actively evaluating additional partnership opportunities with other commercial banks, airlines, telecommunications operators and leading high-end beverage companies. Some of these corporations, such as the rail transport operators and airlines, purchase our product for their customers as they recognize that our product quality and premium brand will help improve the standard of their customer service. Some of the companies purchase our product in the form of water card as they have

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## OUR BUSINESS

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established distribution networks through which they can further promote and sell our product. Through focusing on institutional sales channels, we expect to not only be able to achieve continuous rapid sales growth, but our product could also be marketed effectively through non-traditional channels that mainly target at middle to high income customers.

### **Expand Our Retail Distribution Network**

We aim to further develop traditional retail distribution channels in China and deepen our penetration of and grow our sales through these channels. We intend to continue to add distributors and points of sale to expand our reach in targeted markets and regions, particularly in second-tier cities where we have yet to fully exploit the market potential. In addition to adding new distributors, we intend to work closely with our distributors to increase the number of points of sale by allocating greater resources for marketing activities. In our past experience, many of these customers appreciated our localized marketing efforts and follow-up customer service, and we intend to continue closely working with our distributors and retailers to expand our market share. In addition, we plan to increase the level of promotional activities that we conduct in the supermarkets and other points of sale.

### **Further Enhance Our Brand Recognition**

We intend to further enhance our brand recognition and brand image through targeted marketing and promotional activities. We believe that we can further differentiate our bottled water from other domestic and international premium brands of bottled water by leveraging on our association to our unique water source in Tibet. As part of our marketing strategy, we intend to further refine the design of our packaging and advertising campaigns to promote the image and recognition of our product. In addition, we will continue to explore innovative packaging and other marketing tools to further differentiate our product. For example, as the aesthetic appeal of packaging represents an important aspect of the brand of premium products, we are exploring certain new designs that will embody the unique culture of Tibet. In addition, we are exploring the use of glass bottles and special edition PET bottles with aesthetic designs to heighten the appeal of our bottled water.

We also plan to work closely with our distributors to solidify relationships with high-end hotels, restaurants, bars and entertainment outlets by establishing our 5100 brand as the preferred brand at these points of sale, which in turn provide us with a platform for highly targeted and hence more effective on-site marketing activities. In addition, we intend to continue seeking suitable partners to enter into co-branding and co-marketing partnerships that will help promote and enhance our brand name. For example, we have entered into co-branding arrangements with Shangri-la Hotels, Beijing Quan Ju De (全聚德), CCB and COFCO under which we sell our co-branded bottled water at a fixed price per bottle without any minimum purchase commitments. Under our co-branding arrangements with Shangri-la Hotels and Beijing Quan Ju De, our co-branded products are either sold or given to their customers for consumption in the hotels or restaurants. Under the arrangements with CCB and COFCO, our bottled mineral water will not be sold but will be used internally at CCB or COFCO or given to consumers on a complimentary basis. We are currently evaluating opportunities to enter into co-branding or co-marketing arrangements with several other large companies in China. We also plan to continue seeking suitable events to promote our product and make our brand more visible, such as high profile government meetings, sporting events or other cultural events.

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## OUR BUSINESS

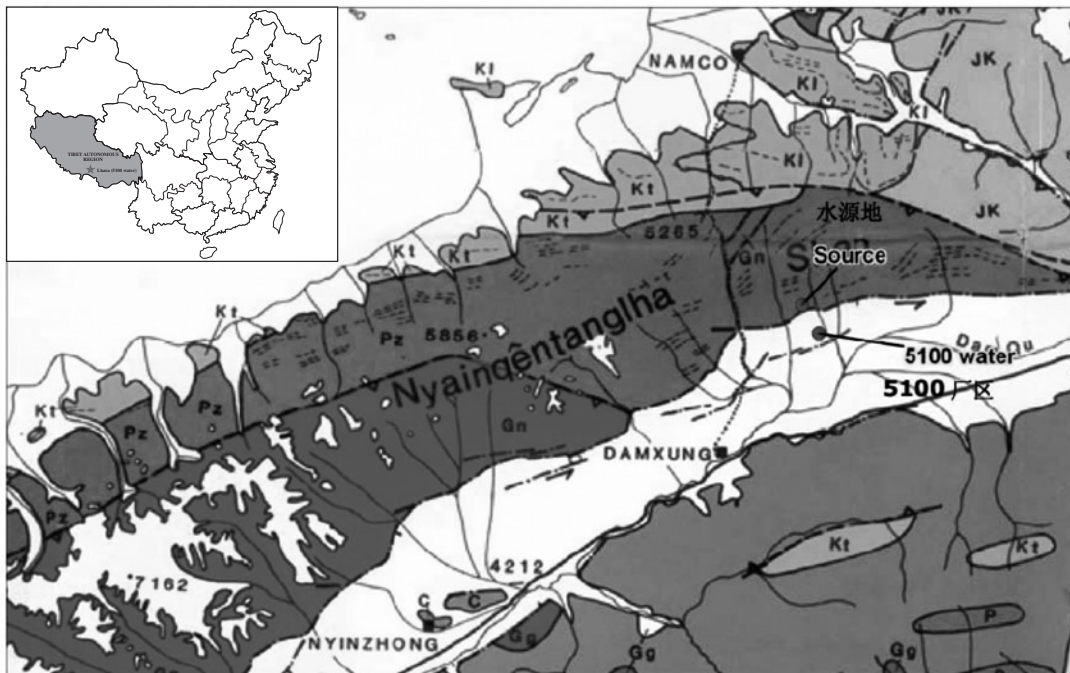
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### Secure Additional Water Sources and Explore Synergistic Business Opportunities

We will continue to explore opportunities to secure additional water sources in Tibet and to acquire bottling facilities in Tibet that have sources of water that meet our quality requirements. We plan to capitalize on our relationships in the Tibetan region to identify and secure these water sources or bottling facilities in Tibet. We believe our status as a manufacturer of the leading premium bottled mineral water brand based in Tibet as well as our long-term relationship with the local government will facilitate us in the competitive bidding or request-for-proposal process for identifying and securing the water sources.

### WATER SOURCE

Our water source originates from a glacier at the height of approximately 5,100 meters above the sea level at the Nianqing Donggula Mountains on the Nyainqentanglha Plateau, north of a rift basin and south of Nyainqentanglha Mountain in Dangxiong County of Lhasa City in Tibet. The map below shows where the source is located in relation to the Nyainqentanglha Plateau; the different colors represent the varied geological architecture of the region, composed primarily of ortho-gneiss (red) and limestone and slate (brown).



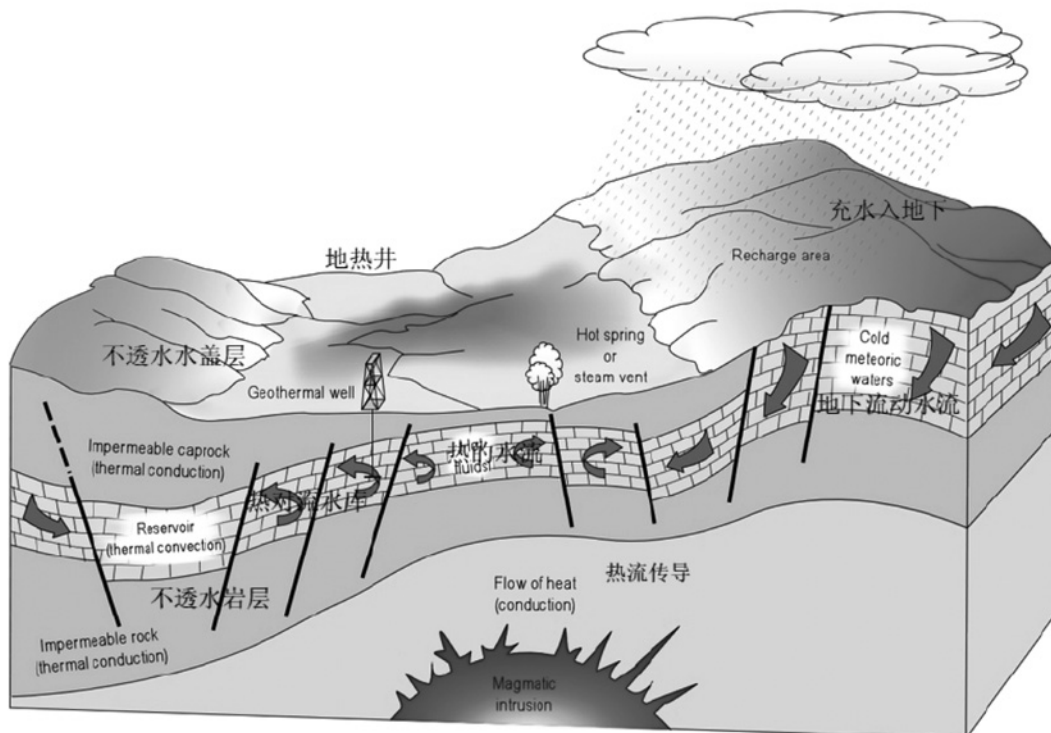
Source: ALECTIA Report

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## OUR BUSINESS

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According to ALECTIA, the warmer and older groundwater presumably comes from rainfall and melting glacial snow from the Tibetan mountains, and possibly with a large catchment area. The water percolates through layers of rock, fine sand and gravel to produce our glacial mineral water in a deep underground aquifer. This underground aquifer is located underneath layers of bedrock, keeping it naturally safe from contamination. The natural glacial spring mineral water we use in our product originates from this underground aquifer before rising naturally to the surface from three gushing glacial springs. These springs are surrounded by land that is protected by three separate protection zones established around the water source. The diagram below illustrates how such geothermal water originates as precipitation and then emerges as spring water.



Source: ALECTIA Report

The water we use for our product is glacial spring mineral water that aggregates the benefits of spring water, mineral water and glacial water as described below:

- *Spring water.* In general, spring water is produced from natural aquifers located around bedrock and soil. Water which comes from below ground and has no natural tributaries is considered to be spring water. It is naturally rich in trace minerals.
- *Mineral water.* Mineral water contains more minerals than spring water. It may come from a natural well or a spring, but must contain a specified amount of trace minerals. These minerals, such as calcium and magnesium, are essential for good health.
- *Glacial water.* Glacial water is water that has melted from glaciers. Because of its previously frozen state, glacial water generally has lower contaminant and bacteria levels than other types of water.



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## OUR BUSINESS

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The springs for our water source were discovered in 1987. Various geological research institutes have conducted surveys of the geological environment, water quality and production capacity. The Survey Report issued by the Geology and Resource Survey and Exploration Bureau of Tibet in 2002 and the Supplemental Survey Report issued by the Water Geology Environment Research Institute of the National Geology Academy of China in 2006 are based on continuous and methodological monitoring from 2001 to 2006. According to these reports and a 2004 feasibility study by the Chengdu Engineer Design Institute, (1) the spring water contains rare minerals such as lithium, strontium and meta-silicic acid and the mineral content has been stable during such periods, (2) the water is colorless, odorless, transparent and pure and has the taste of glacial water when consumed, (3) the water temperature has been stable, ranging between 23.6 °C and 24.2 °C, which provides a suitable environment for the formation of the best quality mineral water, and (4) the source of the spring water is in sufficient supply, with extractable volume ranging from 3,128 tonnes per day to 5,509 tonnes per day, and remains relatively stable during the year as is the case with large-size spring water sources. An additional supplement report entitled “Volume Survey Report” issued by the Beijing Institute of Geological Engineering in June 2011 is based on similar monitoring in June 2011.

According to ALECTIA, an Independent Third Party consultancy service company specializing in the bottled beverage production industry, the maximum extractable volume of spring water from our spring heads is approximately 1.1 million tonnes per annum, which is sufficient to support our future production increase as we only extracted 34,434 tonnes, 63,867 tonnes and 81,431 tonnes in 2008, 2009 and 2010, respectively. Under our mining license, we are entitled to extract a maximum of 500,000 tonnes of mineral water per year. Nevertheless, we do not foresee any difficulty in raising the granted maximum by submitting an application to the government authorities anytime during the validity of the mining license.

ALECTIA, with a documented quality assurance system which meets ISO 9001 relevant to quality management systems as well as DS/EN ISO 14001/4 relevant to environment management systems, has carried out numerous evaluation and survey projects in connection with water source around the world. Specifically, the water supply project in the mountainous regions of Greeland is fairly comparable to the evaluation project in Tibet. ALECTIA has conducted field work from October 10 to October 17, 2010 at the site of our water source and production facilities, and carried out studies including measuring pH, temperature and oxygen level of the spring. ALECTIA also examined our transmission pipeline and water treatment facility. In connection with the estimate of maximum extractable volume, ALECTIA, without conducting an actual measurement but relying on (i) the Survey Report issued by the Geology and Resource Survey and Exploration Bureau of Tibet in 2002, which conducted tests using the triangular weir method and rectangular weir method to measure the water flow; (ii) the feasibility study by the Chengdu Engineer Design Institute in 2004, which conducted a survey based on the decay equation of water flow, i.e., the minimum flow volume is calculated by the Boussinesq equation in order to determine the extractable volume; (iii) the Supplemental Survey Report issued by the Water Geology Environment Research Institute of the National Geology Academy of China in 2006, which reiterated the survey results made in 2002 based on the dynamic observations conducted from May 2005 to May 2006; and (iv) the Volume Survey Report issued by the Beijing Institute of Geological Engineering in June 2011, which conducted test using the triangular weir method to measure the water flow. It is a common practice in various scientific fields to rely on the findings of other Independent Third Parties' reports. For example, in cases where the water is extracted from cracks and wells in the rock bed in mountainous areas, the volume must be estimated and calculated based on long term flow measurement, and in such cases ALECTIA always looks for previous investigations. It is particularly appropriate when the maximum extractable volume of the our water source has been measured by four independent authorities with consistent results. In particular, flow measurements were conducted through triangular weir method

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## OUR BUSINESS

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during these independent authorities' evaluation of the our water source. According to ALECTIA, flow measurement through triangular weir method is the most accurate and reliable method for estimation of water flow from wells in mountainous areas in the regions such as Europe and China, and the margin of error for the estimates reached by a weir method is within 2-4%, which will not affect the results of maximum extractable volume, i.e., 1.1 million tonnes per annum. ALECTIA also relied on various other surveys and research articles on the general behavior of the geothermal water in the region, as well as its overall expertise and knowledge on the behavior of water to arrive at the conclusion of the maximum extractable volume of our water resource. As a result of the foregoing, ALECTIA finds the estimated maximum extractable volume of our water source accurate and reliable.

In addition, ALECTIA based its conclusion on the fact that the water has been consistently flowing with an adequate quantity since the analysis was performed in 2004. Factors affecting the actual extraction volume of the water in the future include climate change, which would likely increase precipitation while rising temperatures would melt more ice and increase the amount of extractable mineral water. Factors also include landslides and other natural hazards that could block the water flow or destroy the water pipe. However, the effect is also short-term as the water will always find a new way and a new pipe can be installed. The daily extractable volume of our springs has remained stable in 2008, 2009 and 2010.

According to ALECTIA, in 2004, the Department of Land and Resources of Tibet issued "*The Appraisal of Natural Spring Mineral Water of Qumanong, Dangxiong County of Tibet*," according to which our spring water belongs to compound-type mineral water and that the level of lithium, strontium and meta-silicic acid content in the water exceeded the minimum requirement under GB/T8537-2008 (飲用天然礦泉水標準), or the New National Standards for Mineral Water. According to the tests performed by ALECTIA, our mineral water meets or surpasses the PRC New National Standard and the European Union standards for mineral and microbial content of mineral water. In 2007, the state natural mineral water technology evaluation team, comprising of researchers and professors from various agencies of the Ministry of Land and Resource, the Ministry of Health, the National Quality Inspection and Monitor Bureau, China Mining Federation, China Institute of Geo-Environment Monitoring, China National Research Institute of Food and Fermentation Industries and Center of Disease Control and Prevention of Beijing, evaluated the water quality based on *the Survey Report* and *the Supplemental Survey Report* and reached the same conclusions. Since 2007, our water source was recognized by the Natural Spring Mineral Water Committee of China Mining Confederation among the first batch of the tested water sources as one of "China's High Quality Mineral Water Sources".

We have obtained the necessary mining licenses and land use rights for our water source through a request-for-proposal process as part of the local government's scheme to attract investment. Under the request-for-proposal process, the local government announces different projects in need of development in the region, such as construction or natural resources projects. Companies interested in undertaking these projects need to submit a proposal to the government authorities for selection and approval. After reviewing our application, the local government in Tibet approved our proposal and introduced us to the relevant authorities in order to obtain the required licenses, including the exploration license and the mining license.

We acquired the exploration rights for our water source from the Geology Team, the original owner of the exploration rights, pursuant to the Cooperation Agreement entered into among the Group, the Geology Team and Tibet Galaxy on January 23, 2006 and obtained the relevant exploration license on April 29, 2006. Based on the exploration license, we held the exploration rights with the term from April 29, 2006 to April 28, 2007. Under the Cooperation Agreement, the Geology Team has neither

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## OUR BUSINESS

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the unilateral right to terminate the Cooperation Agreement, nor the right to recall the exploration rights as such rights had been registered under our name. Under the Cooperation Agreement, we agreed to pay the purchase consideration in various instalments during the course of our cooperation with the Geology Team. It is also stated in the Cooperation Agreement that Tibet Zhongji would need to settle all outstanding purchase consideration if Tibet Zhongji decides to sell the exploration rights to any party other than Tibet Galaxy. In 2008, 2009 and 2010, the consideration for the exploration rights paid by us to the Geology Team amounted to RMB0.3 million, RMB0.3 million and RMB0.5 million, respectively. According to the Cooperation Agreement, we shall pay the outstanding part of the purchase consideration to the Geology Team, which amounts to RMB0.5 million per year from the year 2011 until the cooperation is completed. The completion date is indefinite under the Cooperation Agreement and the Cooperation Agreement remains effective at present. Separately, the Group was required by PRC law to pay a usage fee for the exploration rights. This usage fee is not a payment under the Cooperation Agreement. We are required to pay usage fee as and when we hold exploration license. According to the exploration license previously held by the Group, the exploration area for the mineral water resource was 11.64 square kilometres. We paid an amount of RMB3,480 as usage fee for the exploration rights for the year of 2006.

We obtained the mining license issued by Tibet Autonomous Region Department of Land and Resources for our water source on August 21, 2006. Our exploration rights were deregistered when we acquired the mining license and as such we do not need to pay any more usage fees for the exploration rights. However, we are required to pay a usage fee for the mining rights from then on. We successfully renewed our mining license in 2010. Based on the mining licenses we secured mining rights of the springs that are renewable after the expiration of the five-year valid period of our current mining license which will expire in August 2015. Our mining license allows us to produce a maximum of 500,000 tonnes of water per year. We produced 34,434 tonnes, 63,867 tonnes and 81,431 tonnes of spring water in 2008, 2009 and 2010, respectively. PRC law requires the payment of a usage fee for the mining rights. According to the mining license held by us, the mining area of the mineral water resource is 9.3583 square kilometres. We paid RMB28,500 and RMB57,000, in 2006 and 2010, respectively, as the usage fee for the mining rights from 2006 to 2015 (RMB9,500 per year, and RMB85,500 for nine years in total). Under PRC law, the government has the authority to terminate a mining license if the licensee fails to comply with relevant requirements during the term of validity. Our mining license can be successfully renewed for an additional five years so long as we (i) pay all resource taxes and mining rights fees; (ii) submit a renewal application required by the authorities; and (iii) satisfy the applicable legal and regulatory requirements.

Our mining license will expire in August 2015. Our PRC counsel has advised us that, based on relevant laws and regulations, the government has the authority to terminate a mining license if the licensee fails to comply with relevant requirements during the term of validity, including (i) the licensee fails to pay usage fees or other fees and taxes in relation to the mining rights within the required period; or (ii) the licensee fails to comply with relevant laws and regulations in its mining activities, such as conducting the mining activities in a destructive manner. The general conditions for us to renew the mining licenses upon expiration require that (i) we have paid up all payable resource taxes, mining rights usage fees and mineral resources compensation fees, (ii) we have submitted all renewal application materials required by the authorities and (iii) we have satisfied the legal and regulatory requirements applicable at that time. Our PRC counsel has also advised that, (i) based on the Confirmation Letter issued by the Land and Resources Bureau of Lhasa on December 20, 2010 with respect to the payment of relevant fees for the mineral water resource, relevant confirmation letters issued by local taxation bureaus and its examination of relevant documents provided by the Company, as of 2010, the Group has paid up all payable resource taxes, mining rights usage fees and mineral resources compensation fees; and (ii) based on the Confirmation Letter on the Status of Qumaduo Mineral Water issued by Department of Land and Resources of Tibet Autonomous Region

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## OUR BUSINESS

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on December 15, 2010, the exploration and mining activities of Tibet Zhongji complied with relevant laws and regulations, Tibet Zhongji has passed the annual inspections for the mining rights, has not violated any applicable laws and regulations since it first obtained the mining right in 2006, and Tibet Zhongji can renew the mining license for an additional five years so long as it submits the application for renewal to the Land and Resources Department of Tibet Autonomous Region in accordance with PRC law before the license expires. Our PRC counsel has further advised that so long as we continue to pay relevant resource taxes, mining rights usage fees and mineral resources compensation fees and comply with PRC law, there shall be no material legal impediment for us to renew the mining license. We successfully renewed our mining license in 2010. Notwithstanding the above, there can be no assurance that we will be able to renew our mining rights certificates for our water source upon expiration in the future. For further details, please see the section headed “Risk Factors — Risks Relating to Our Business — We rely on various licenses and permits to operate our business, and the failure to renew any or all of these licenses and permits could materially adversely affect our business”.

Based on the Confirmation Letter on the Status of Qumaduo Mineral Water issued by Department of Land and Resources of Tibet Autonomous Region on December 15, 2010, the exploration and mining activities of Tibet Zhongji complied with applicable PRC law and Tibet Zhongji has not violated any applicable PRC law and regulations since it first obtained the exploration and mining right in 2006.

In addition to the exploration rights and mining rights, we have also obtained the land use certificates from the Dangxiong County Land and Resources Bureau in Tibet for the lands we are currently using. We paid RMB1.4 million for land use rights for 50 years for the 106,774 square meters area surrounding the springs where our factory is built and where our water source is located.

Our PRC counsel has advised us that, except for the formal title certificates for some of our properties, we have obtained all necessary licenses, approvals and permits for our current operation within the PRC. Such licenses, approval and permits are legal and valid. In addition, currently and historically, there has been no specific legal or regulatory restrictions with respect to the ownership or management of business engaged in the mining of mineral water resources in Tibet. Nonetheless, all the activities with respect to the mining of mineral water resources shall be subject to the laws and regulations governing the mineral resources in the PRC and in Tibet Autonomous Region, including without limitation the Mineral Resources Law, the Regulations on the Administration of the Mineral Resources Law of the Tibet Autonomous Region, and the Procedures for the Registration of Mining of Mineral Resources. For more information, please refer to “Regulatory Overview”. Currently and historically, we have complied with these laws and regulations, and we have not had any disputes, claims or complaints in relation to the legality of our mining activities in Tibet.

We do not have any contingency plan to hedge against the risk of relying on a single water source. For more information relating to the risk of relying on a single water source, please refer to “Risk Factors — Our reliance on a single water source represents a material risk to our business if the mineral content and quality of the spring water from that source are adversely affected due to changes in the surrounding geological environment or contamination to the water source”. However, we believe that we will not encounter any water shortages at our water source. According to ALECTIA, the maximum extractable amount of mineral water has remained stable at approximately 1.1 million tonnes per year, which is sufficient to meet our needs for the foreseeable future. We further believe that we will not face any contamination problems at our water source. Due to the size and remote location of our water source, which is located in a mountainous area without any factories or human settlements, only contamination of a massive magnitude could affect our water source. In addition, our water source is protected by three protection zones and monitored continuously by closed circuit security cameras to help prevent any intruders from maliciously or negligently damaging our water

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## OUR BUSINESS

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source. Furthermore, we are only currently using three out of seven springs of our water source. As each of these springs are actively flowing springs, contamination at one spring would be washed away by the underground flowing water. In addition, these seven springs are located separately without confluence, so contamination to one spring should not cause affect the other springs. As a result, if there are any problems with our springs, we have the ability to quickly develop the other four springs to extract sufficient quantities of mineral water to meet our production needs. We also have the ability to detect the contaminated water during our bottling process, through the filtration and inspection, to prevent any public health hazard.

In order to mitigate the risk relating to our single water source, we plan to use the proceeds from this offering to acquire new water sources in Tibet. Recently, we have commenced our survey on other mineral water business entities with good water sources and communicate with our local government for further approval.

### OUR PRODUCT

Our sole product is bottled glacial spring mineral water. We sell our product in the forms of bottled water and water cards that can be redeemed for the prompt delivery of our bottled water before the expiry date. Beginning from 2011, our water cards expire on the last day of the year in which such water card was sold, and can be used to redeem a fixed number of boxes of bottled water at a pre-set price. The delivery of bottled water are subject to certain restrictions, including the destination of delivery. By relying on the services with CRE, FedEx and China Post, we can deliver our bottled water across almost all of China. However, there are certain remote areas in China that are not served by any of our delivery services, and we are unable to deliver our bottled water to those areas that are not serviced by any of CRE, FedEx and China Post.

We have three versions of water cards: (i) one card with a retail price of RMB600 that can be redeemed for 72 330 ml bottles of water; (ii) one card with a retail price of RMB800 that can be redeemed for 72 500 ml bottles of water; and (iii) one card with a retail price RMB500 that can be redeemed for 24 1500 ml bottles of water. These water cards help expand the reach of our sales channels and are particularly well received as gifts. We have and will continue to market these water cards as a convenient service for high income earners that seek the convenience of having our bottled water delivered directly to their desired location. We believe using water card as a sales method in the premium bottled water market is not a common market practice. In 2008, 2009 and 2010, sales of water card amounted to RMB9.7 million, RMB8.8 million and RMB24.7 million, respectively, which accounted for 8.1%, 4.1% and 6.9% of the total revenues for the respective years. During the Track Record Period, our gross profits attributable to sales in the form of water cards accounted for 13.0%, 5.6% and 8.5% of our total gross profits. In addition, we recorded the revenue from the expiry of water cards amounting to nil, RMB2.9 million and RMB14.3 million for the year ended December 31, 2008, 2009 and 2010, respectively. Our water cards sold during the Track Record Period expire on 31 December 2010, resulting in outstanding balances of RMB0 of deferred revenue as of 31 December 2010. Our PRC counsel has advised that (i) our water card arrangement does not violate relevant PRC laws and regulations, (ii) we will not be subject to any administrative actions or other sanctions by the relevant PRC authorities due to the water card arrangement, and (iii) we are not obliged to notify the government authorities of the water card arrangement. The relevant PRC laws and regulations forbid individuals or entities to print or issue promissory notes or prepaid gift cards that substitute the official currency of the PRC, the Renminbi. One distinguishing factor of such prohibited promissory notes or prepaid gift cards under PRC laws and regulations is the ability to purchase any goods or services. In contrast to the prohibited promissory notes or prepaid gift cards, the water cards issued by us cannot purchase any goods or services except entitling the holder to receive delivery of a set amount of our bottled water products. As a result, our PRC counsel has advised that our water cards shall not be deemed to be prohibited promissory notes or prepaid gift cards.

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## OUR BUSINESS

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The Chinese Academy of Inspection and Quarantine and Tibet Entry-Exit Inspection and Quarantine Bureau inspected our bottled water in 2008 and 2009 and concluded that our product complied with the national standard for “natural mineral water for drinking” in terms of the mineral content, sensory indicators, mineral limitation indicators, pollutant indicators and microbial indicators. The ALECTIA Report also showed that our product is in compliance with national standards for “natural mineral water for drinking”. In 2007, we won the Brand China Gold Spectrum Award in the China Brand Festival.

According to the ALECTIA Report, the mineral content of our water far exceeds the minimum requirements for “natural mineral water” under Chinese regulations. Where the regulations require mineral water to contain only one mineral in excess of the New National Standards, our water consists of three minerals — lithium, strontium and meta-silicic acid — in excess of such benchmarks, according to the ALECTIA analysis.

Set forth below is a chart comparing the New National Standards for mineral content with the mineral content in our water source from the ALECTIA Report.

<u>Mineral</u>	<u>New National Standard</u>	<u>Mineral Content in Our Water</u>
Lithium . . . . .	> 0.20mg/l	0.59mg/l
Strontium . . . . .	> 0.20mg/l	0.26mg/l
Meta-silicic acid . . . . .	> 25mg/l	45mg/l
Zinc . . . . .	> 0.20mg/l	0.011mg/l
Selenium . . . . .	> 0.01mg/l	0.0001mg/l
Total dissolved solids . . . . .	>1,000mg/l	310mg/l

Source: ALECTIA Report

Furthermore, microbiological tests conducted by ALECTIA found that our water also complied with all European Union standards for mineral water. The following table details the results of the microbiological tests.

<u>Location</u>	<u>Constituent</u>	<u>Units</u>	<u>Sample</u>	<u>EU limit</u>
Source 1 . . .	Colony count 22°C	CFU/ml	5	20
	Colony count 37°C	CFU/ml	4	5
Bottled . . . . .	Colony count 22°C	CFU/ml	5	100
	Colony count 37°C	CFU/ml	5	20
	E. coli	CFU/250 ml	Undetected	0
	Coliform	CFU/250 ml	Undetected	0
	Pseudomonas aeruginosa	CFU/250 ml	Undetected	0

Source: ALECTIA Report

We focus on producing bottled water under our own brand name. In order to serve different customer groups and different customer needs, our bottled water is available in different sizes and/or with different labels. Our bottled water is bottled in four different sizes of PET bottles, each with our

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## OUR BUSINESS

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distinctive label — 330 ml, 500 ml, 1,000 ml and 1,500 ml. To distinguish our bottled water distributed to CRE for its retail distribution from our bottled water distributed through other channels, the former is bottled in the volume of 328 ml and without a retail bar code. We also produce a 330 ml version for distribution to passengers on high speed and CRH trains for complimentary consumption. A consumer may purchase our product in any of these sizes either individually or in boxes. Depending on the size of the bottle, the suggested retail prices of our bottled water are RMB7.9 for 330 ml, RMB9.9 for 500 ml, RMB16.9 for 1,000 ml and RMB19.9 for 1,500 ml per bottle. The expiration date marked on each of our bottles of water is 24 months from the date of production. We indicate a 24-month expiration date to assure our customers of the quality of our product. In 2008, 2009 and 2010, we produced 34,434, 63,867 and 81,431 tonnes of bottled water, respectively.

### PRODUCTION FACILITIES AND PROCESS

#### Production Facilities and Production Capacity

We design our manufacturing processes to ensure the quality of water from source to bottle. We employ a comprehensive, multiple-barrier system, which complies with national regulations and standards provided by ISO 9001:2000 and G/T 19001-2000 of the China Quality Certification Center and CAC/RCP1-1969, Rev4 (2003) Guidelines for the HACCP. It involves carefully controlled filtration and disinfection processes in hygienically designed lines, supported by continuous monitoring and testing. We employ world-class production facilities for our production process, including water collection and filtration, bottle manufacturing, filling and capping, labeling and packaging, and warehouse storage. In particular, we have focused on the efficiency of our production process by vertically integrating and manufacturing our own bottles and bottle caps. In addition, we use machinery manufactured by Krones in Germany and Husky in Canada to minimize the risk that subpar quality bottles will adulterate the water and affect the taste.

We have two production facilities, located in Dangxiong County, or the Dangxiong Production Facility, and Lhasa, or the Lhasa Production Facility, respectively. The table below sets forth information relating to the production activities of these two facilities:

Name	Location	Approximate Gross Floor Area (m <sup>2</sup> )	Production Process
Dangxiong Production Facility . . . . .	Dangxiong County, Tibet	21,048	Manufacturing of bottled water (after water processing, bottle blowing, filling and packaging)
Lhasa Production Facility . . . . .	Lhasa, Tibet	3,500	Manufacturing of bottle preforms and bottle caps

The Dangxiong Production Facility is located at a site three kilometers from our water source. We paid RMB1.4 million for 50-year land use rights for the 106,774 square meters area surrounding the water source and where our Dangxiong Production Facility locates. This facility currently has three world-class and fully automatic production lines manufactured by Krones and imported from Germany, which integrate stretch blow-molding into actual bottles, bottling, labeling and packaging in one unit. Each of the three production lines was installed and put into operation in October 2006, July 2008 and June 2009, respectively. We have installed another production line in the first quarter

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## OUR BUSINESS

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of 2011 and have begun production in late June 2011. With our current three production lines, our production capacity in terms of 330 ml bottles amounts to approximately 155,000 tonnes per year. We expect that when our fourth production line is fully completed, our aggregate production capacity in terms of 330 ml bottles will reach approximately 208,000 tonnes per year.

	<b>Designed Production Capacity (bottle/hour)</b>	<b>Commencement year</b>
Production Line 1 . . . . .	24,000	2006
Production Line 2 . . . . .	26,000	2008
Production Line 3 . . . . .	36,000	2009
Production Line 4 . . . . .	36,000	2011
Total . . . . .	122,000	

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*Note: Measured by producing 330 ml bottles*

Set forth below is a table reflecting our capacity in terms of 330 ml bottles, actual production and utilization rate for the Dangxiang Production Facility for the Track Record Period. The production capacity and utilization rates have been provided in terms of 330ml bottles as the majority of our sales are based on the 330ml form factor. These figures therefore more accurately reflect the actual production and utilization of our production lines. Our production equipment is interchangeable and can also produce other sizes of bottled water according to the market demand. During the Track Record Period, the sales volume of 328 ml and 330 ml bottles accounted for 98.0%, 96.5% and 97.4%, respectively, of the total sales volume.

	2008			2009			2010		
	(in tonnes except for percentages)								
	Capacity <sup>(1)</sup>	Actual Production	Utilization Rate (%)	Capacity <sup>(1)</sup>	Actual Production	Utilization Rate (%)	Capacity <sup>(1)</sup>	Actual Production	Utilization Rate (%)
Total . . .	65,000	34,434	53.0%	125,000	63,867	51.1%	155,000	81,431	52.5%

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(1) Calculated prorata based on commencement date of different production lines and assuming 24 hours per day, 25 production days per month and 10 months per year. The designated production capacity data was prepared on the basis of 10 months per year because (i) we perform a one-month maintenance work each year; and (ii) the high altitude and severe weather condition during the winter, usually in January and February, make it physically challenging for the production and transportation activities. However, our Directors have confirmed that there has been no interruption or suspension of our production during the Track Record Period.



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## OUR BUSINESS

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We produced 34,434, 63,867 and 81,431 tonnes of bottled water for 2008, 2009 and 2010 respectively, representing a fast year on year growth. In particular, under our buy-one-get-one-free arrangement with CRE, we are required to deliver 150,000 tonnes of mineral bottled water in 2011, which is almost double of our actual production in 2010. In order to meet such strong demand and maintain its sales growth, we have continuously expanded our production capacity with new production lines throughout the Track Record Period. In addition, due to the seasonality of the bottled water demand from CRE, which are more concentrated in the summer season from June to August, the factories have been operating at peak utilization rate (24 hours per day and 25 days per month) during the summer season. The utilization rate in other seasons is lower than that in the summer season due to less market demand, and the utilization rate in the winter season is significantly lower due to less market demand and severe weather condition. Therefore, the average capacity utilization rate is also affected by the seasonality of market demand.

In addition, given the fact that our production facilities are located at a high altitude in the Himalayan Mountains, where the ambient air pressure is lower and the weather condition is severe, we have elected to take a cautious approach and operate our production equipment below the maximum theoretical production rate, which should also help increase the durability and reliability.

The Lhasa Production Facility has three bottle preform injection molding lines and one bottle cap line manufactured by Husky and imported from Canada. The three bottle preform injection molding lines mold PET into bottle preform in the shape resembling a test tube with the bottle cap threads already molded into place. As of the Latest Practicable Date, 100% of the bottles used in our bottled water are manufactured internally. This reduces our reliance on third-party providers and ensures the quality and safety of the bottles.

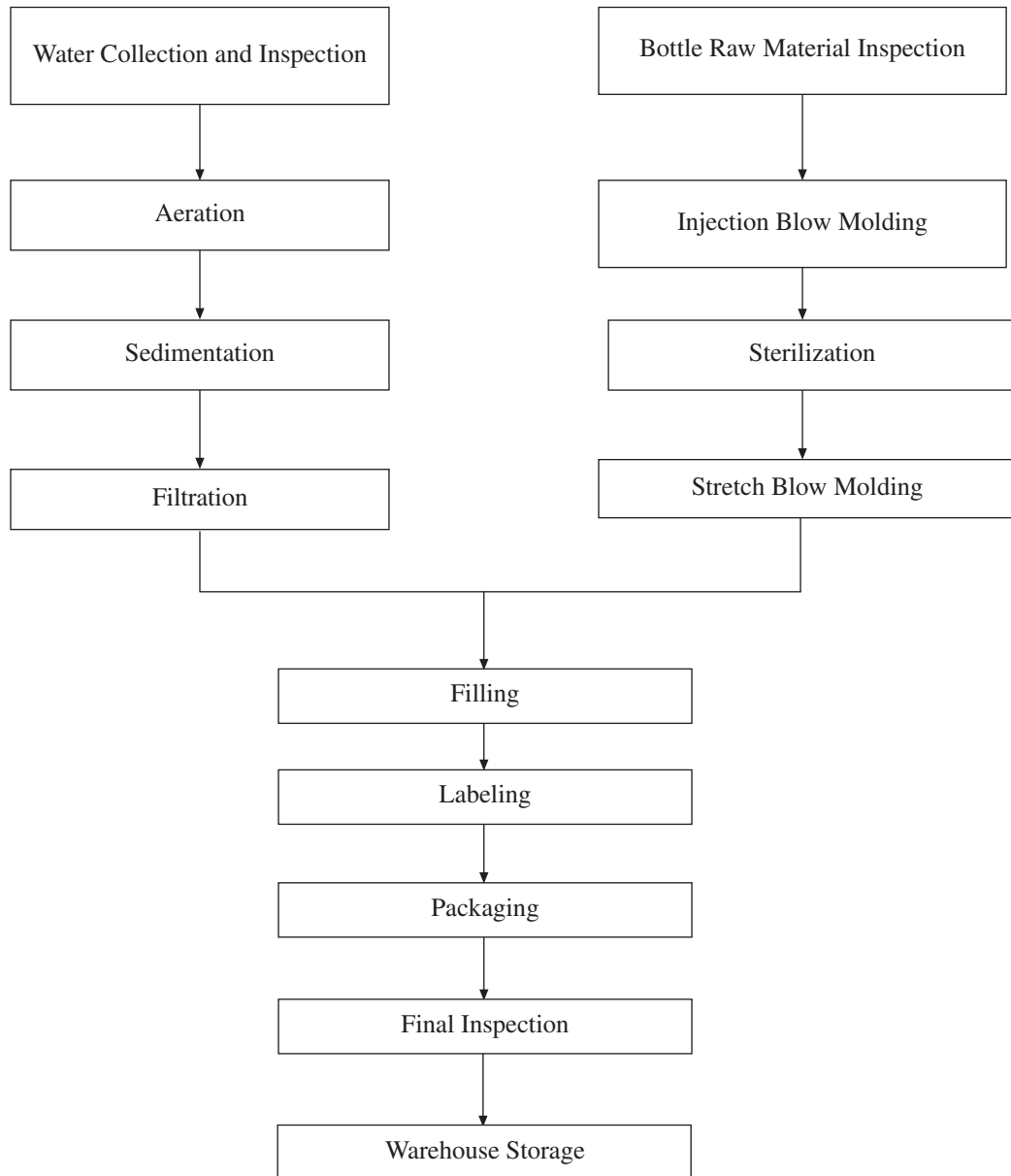
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## OUR BUSINESS

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### Production Process

The diagram below illustrates the major production process of our bottled water:



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## OUR BUSINESS

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Generally, the process of water collection and inspection, aeration, sedimentation and filtration is open and accessible technology in which no intellectual property rights are involved or required. Our production process can be broadly categorized into the following steps:

### ***Water Processing***

*Water collection and Inspection.* Natural glacial spring mineral water gushes from its source through airtight stainless steel pipe to the Dangxiong Production Facility for collection. The pipe is an approximately 3,000 m long DN 100 mm stainless steel pipe, a very high quality material to keep water from contamination and can withstand a rather high pressure downstream during any closure of the valve. We conduct microbiological and physiochemical tests of water samples taken directly from the spring source in accordance with our internal procedure and standards every ten days.

*Aeration.* Carbon dioxide is removed from the water.

*Sedimentation.* The water flows into a sedimentation tank. Suspended particles settle out of water as the water flows slowly through the tank.

*Filtration.* The water flows through an initial filter, a pressure pump, a stainless steel buffer tank, undergoes sand filtration, carbon filtration and PES membrane filtration and ends up in a buffer tank for processed water. We employ two filtration technologies. Media filtration uses filtering materials like activated carbon, sand and special granules for prefiltration to remove iron, manganese, arsenic or uranium substances. Membrane technology uses PES ultrafiltration to remove bacteria, viruses and all undissolved substances from water without changing the water's mineral content. We used PES membrane filtration system made by Pall. The effectiveness of membrane filtration is based on principle that nothing larger than 0.2 um, such as bacteria, can permeate through the membrane.

### ***Bottle Manufacturing***

*Bottle raw material inspection.* The inspection team examines the quality of PET purchased from suppliers. This step is conducted at the Lhasa Production Facility.

*Injection blow molding.* PET is processed and molded into bottle preforms in the shape of a test tube with the bottle cap threads already molded into place. This step is conducted at the Lhasa Production Facility.

*Sterilization.* Bottle preforms are sterilized before they enter into the fully automatic blowing and filling product line to minimize contamination. This step is conducted at the Dangxiong Production Facility.

*Stretch blow molding.* Bottle preforms are molded into actual bottles. This step is conducted at the Dangxiong Production Facility.

### ***Filling and Capping***

The processed mineral water is filled in bottles. The bottles will then be immediately sealed with caps. The stretch blow molding machines, filling machines and capping machines are located in an all-closed unit to ensure a sterile environment. Sterility is ensured as the unit is fitted with protection doors which, if open, prevent the machines from operating.

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## OUR BUSINESS

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### *Labeling and Packaging*

The bottled water is labeled accordingly and packaged with plastic membrane and then boxed.

### *Final Inspection*

Prior to releasing any of our bottled water, we inspect each case of water and apply a certificate to each case that passes the final quality assurance tests. In the final inspection, we randomly pick bottles from the finished products from each production line every hour and test the quality, including the temperature, PH measurement, mineral and bacterial content of the water over a two day period before releasing that batch.

### *Warehouse Storage*

Packed bottled water is shipped to CRE's warehouse in Naqu, Tibet, which is designed specifically to provide a suitable storage environment for our mineral water.

## QUALITY CONTROL

### **General Policy**

We believe that the ability to produce a high quality, glacial spring mineral water product is essential to maintain our market share and competitive edge. As water is sensitive to microbiological and chemical contamination, we adhere to a strict quality control system over all our operations, from the sourcing of raw materials to processing, packaging and warehouse storage to sales and distribution to preserve the natural qualities of our water source by reducing or preventing the possibilities of natural or man-made pollutants, including pathogenic bacteria or harmful chemicals and minerals from entering into our bottled water. We implemented a quality control system that was drafted and proposed by ALECTIA, a consultancy service company specializing in the bottled water production industry. Our senior management is also actively involved in setting internal quality control policies and has established a dedicated quality control department at our headquarter that sets forth general quality control guidelines, manages our quality control practices and oversees the performance of the dedicated quality control departments of each of our business divisions.

### **Protection of Water Source**

In order to maintain the quality and safety of our product, we have established a "water protection zone" of 60 square kilometer around our water source:

- *Protection Zone I (Prohibition Zone)*. The spring sources have been secured in a fully enclosed facility to prevent any potential contamination. No human activities are allowed in this zone. No construction other than that related to our production facilities is allowed in this zone.
- *Protection Zone II (Limitation Zone)*. This protection zone has been established to prevent the surface water that supplements the mineral springs from being contaminated. No grazing is allowed. Human activities that will harm the geological environment and contaminate the water sources are strictly prohibited in this zone.

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## OUR BUSINESS

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- *Protection Zone III (Monitoring Zone)*. Grazing, farming with chemicals and fertilizers and other activities that will contaminate the water source are prohibited in this zone.

### Quality Control in the Production Process

We have a Clean-In-Place (C.I.P.) sanitation process in place where line sanitation practices include advanced internal pipe and equipment cleaning methods. This automated cleaning process re-circulates detergent and sanitize solutions. Time, temperature, and mechanical force are manipulated to achieve maximum cleaning.

We have integrated stretch blow-molding into actual bottles, bottle labeling and water filling in one unit to minimize contamination and maintain the purity and original taste of our natural glacial mineral spring water. We observe strict hygiene standards at our production facilities. All production personnel are required to wear production clothes, working caps and shoes and wash their working shoes in a disinfectant pool. Special efforts are made to prevent our product from being contaminated by low-quality raw materials. As such, raw materials failing our inspection are returned to suppliers. We package our bottled water in PET bottles, which protects the water from extreme temperatures and from impurities and smells. We also produce our own bottles to ensure product quality and safety.

If a problem during production is detected, a failure analysis is performed to determine the cause. We perform sampling inspections on finished products prior to dispatching those to the warehouse. We randomly pick bottles from the finished products from each production line every hour and test the quality, including the temperature, PH measurement, mineral and bacterial content over a two day period before releasing that batch. All finished products are held for two days until the results of the tests show that the batch passes our quality control standards. We issue monthly product quality reports and distribute internal quality control policies regularly that inform, examine, and analyze quality control issues and problems that are identified in order to continuously improve our quality control measures.

### Quality Control Certifications

We have received several certifications attesting to our outstanding quality control system. Our quality control system in the production and sales of our bottled water has been certified to comply with ISO 9001:2000 and G/T 19001-2000 by the China Quality Certification Center since February 18, 2008. Our production process has been certified to be in full compliance with CAC/RCP1-1969, Rev4 (2003) Guidelines for the HACCP, which is an internationally recognized standard for food safety, since January 30, 2008. With this high-standard quality control which certified by government authorities, our Directors confirm that we have never experienced any material sales returns, recalls or complaints from customers or distributors due to quality problem of the our products, and there was no contamination of our products or water source during the Track Record Period, and as of the latest practicable date.

## CUSTOMERS AND DISTRIBUTION NETWORK

We sell our bottled water through the following primary channels: (i) direct sales to our strategic partner CRE and other institutional purchasers and (ii) sales to third party distributors, who directly or indirectly through their sub-distributors, resell our bottled water in the form of bottles and water

## OUR BUSINESS

cards to points of sale, including hotels, restaurants, supermarkets, convenience stores and bars. Our sales to CRE has historically been the main source of our revenue. Since 2010, we have established relationships with a number of large institutional purchasers, including Air China, BP-PetroChina JV, CCBI, ICBCI Holdings and China Post. This has enabled us to further diversify our sales channels and reduce our reliance on CRE.

The following table sets forth the sales volume of our bottled mineral water for the years indicated:

	Year ended December 31,		
	2008	2009	2010
Sales volume (in tonnes) <sup>(1)</sup> . . . . .	34,417	60,683	81,576
Average Selling Price (RMB'000 per ton). . . . .	3.5	3.6	4.4

<sup>(1)</sup> Tibet 5100 Spring's sales volume in 2008, 2009 and 2010 includes volume provided to CRE, its largest customer, for free under a buy-one-get-one-free arrangement entered into in 2008. CRE is a logistics company and an enterprise subordinate to and acting as a procurement agent on behalf of the MOR in purchasing bottled mineral water from Tibet 5100 Spring. The volume of bottled water provided for free to CRE is in turn distributed by CRE to train operators under the MOR, who serve the bottled water to ticketed passengers on high-speed trains, inter-provincial CRH trains and certain other CRH trains. The volume of bottled water delivered to CRE accounted for approximately 90.9%, 89.7% and 89.5% of Tibet 5100 Spring's sales volume in 2008, 2009 and 2010, respectively, and is included in the calculation of Tibet 5100 Spring's market share in terms of sales volume by Euromonitor. For further details on Tibet 5100 Spring's relationship with CRE, please refer to "Our Business — Customers and Distribution Network".

Set forth below is a table reflecting our sales by channel in the years indicated.

	Year ended December 31,					
	2008		2009		2010	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)					
CRE. . . . .	91.8	76.8%	174.8	81.0%	290.3	80.5%
Others <sup>(1)</sup> . . . . .	27.7	23.2%	41.0	19.0%	70.2	19.5%
Total revenue . . . . .	<u>119.5</u>	<u>100.0%</u>	<u>215.8</u>	<u>100.0%</u>	<u>360.5</u>	<u>100.0%</u>

<sup>(1)</sup> "Others" includes both institutional purchasers and distributors, and because some institutional purchasers are also distributors, we have not divided "Others" into "Institutional purchasers" and "Distributors".

Our five largest customers in aggregate accounted for approximately 92.0%, 94.8% and 92.2% of our revenue in 2008, 2009 and 2010, respectively. The largest single customer, CRE, accounted for approximately 76.8%, 81.0% and 80.5% for the relevant years indicated above, respectively. None of the Directors, their respective affiliates nor shareholders (who or which to the knowledge of the Directors owns more than 5% of the issued share capital of the Company or any of its subsidiaries) had any interest in any of our five largest customers during the Track Record Period.

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## OUR BUSINESS

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### Sales to Institutional Purchasers

#### *Sales to CRE*

CRE was our largest customer, which accounted for approximately 76.8%, 81.0% and 80.5% of our total revenue in 2008, 2009 and 2010. CRE is a logistics company and subordinate enterprise under the Ministry of Railways, or MOR, and has 2,006 offices in more than 670 cities. MOR completed and commenced operation of the Qingzang railway (青藏鐵路), which connects Tibet with Qinghai Province, in 2006. In order to maximize the utilization rate of the Qingzang railway, which generally carries more cargo and has a higher utilization rate into Tibet than out of Tibet, CRE planned to invest in and established logistics cooperation with productive businesses located in Tibet, so that CRE could achieve higher utilization rate for out of Tibet cargo trains. Without involving any bidding process but after conducting a comprehensive survey, CRE entered into a strategic relationship with us in 2007 after determining that our bottled mineral water and business operations satisfactorily met CRE's needs and requirements. As a result of the large sales volume and our cooperation with CRE in connection with the integrated logistics service, we consider CRE as our strategic partner.

CRE acts as a procurement agent for the MOR in purchasing bottled water from us. We produce bottled water in two customized formats for CRE: 1) a 328ml retail version for CRE to distribute and resale through the MOR network or for MOR's internal consumption, and 2) a 330ml version which is distributed free-of-charge to passengers on high-speed and CRH trains. As part of our distribution agreement with CRE, we sell our bottled water to CRE and CRE distributes our bottled water to MOR or other entities affiliated with MOR for resale through the MOR network, which consists of over 2,000 retail outlets and restaurants in 131 train stations and 115 mid- to high-end hotels across China operated by the MOR and its affiliates, and on board trains that makes approximately 2,800 trips per day.

Our initial purchasing agreement with CRE was entered in 2007 and the agreement required CRE to bear the transportation costs. In late 2008, we entered into a new purchasing agreement with CRE under which we provide one bottle of water free-of-charge for every bottle that is purchased by CRE and bear the transportation costs ourselves. In December 2010, we further extended our agreement with CRE for an additional three years, which expires on December 31, 2013. Under this extended agreement, CRE is obligated to purchase 75,000 tonnes of bottled mineral water at the size of 328 ml each year for the period of 2011 to 2013. The price under the extended agreement remains unchanged from the previous agreement that we entered in 2008, and is fixed throughout the term of the agreement. Pursuant to this agreement, we are also required to provide 75,000 tonnes of bottled mineral water at the size of 330 ml to CRE free-of-charge each year for the period of 2011 to 2013. There is no restriction as to the maximum or minimum price which CRE may charge when it resells our products through the MOR network under current arrangement. The bottled water purchased by CRE will be resold through the MOR network at the agreed retail price under our agreement. The bottled water provided free-of-charge to CRE will be distributed to train operators under the MOR, who serve the bottled water to ticketed passengers on high-speed trains, inter-provincial CRH trains and certain other CRH trains, including the Guangzhou-Shenzhen Railroad. Our purchase agreement with CRE does not provide for any profit sharing arrangement and CRE is not prohibited from selling bottled water produced by other companies. Neither party is allowed to terminate the agreement unless mutual consent between both parties is achieved in written form. No specific consequence is provided

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## OUR BUSINESS

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under this agreement should any party fail to discharge its obligation to purchase or to provide the agreed volume of bottled water. However, the rules for breach of contract under the PRC Contract Law will apply. The non-breaching party may require the party in breach to continue to perform its obligation and/or claim losses arising from the breach. Our PRC counsel has advised that, based on the examination of the agreements which we entered with CRE, such agreements and the arrangements under such agreements do not violate relevant PRC laws and regulations.

The Company's PRC counsel has advised that, based on the examination of the agreements entered into between the Group and CRE, such agreements, the distribution arrangements under such agreements and the cooperation between the Group and CRE arising from such agreements, do not constitute monopoly acts as defined and prohibited under the PRC Anti-monopoly Law or a contravention of the PRC Anti-monopoly Law.

As the former minister of the MOR, Liu Zhijun, and the deputy chief engineer of the MOR, Zhang Shuguang, were dismissed for "severe violations of discipline" and are currently under investigation for allegedly accepting a large amount of money in bribes in connection with purchasing of equipment for railway projects, the National People's Congress has appointed Sheng Guangzu as the new minister of the MOR. However, we have never bribed any MOR officials and have never been subject to any investigations because of our relationship with CRE or the investigation on MOR officials. To the best of our knowledge, our Company, executive Directors, non-executive Directors and Controlling Shareholders do not have any relationships with Mr. Liu or Mr. Zhang. Our existing agreements with CRE will not be affected by the dismissal or investigation of MOR officials. With respect to the investigation, there will be no impact on our Company and our Directors even if either Mr. Liu or Mr. Zhang is formally arrested and convicted. Our PRC counsel has also confirmed that the existing CRE agreements will be irrevocable and remain legally valid and binding. CRE, has also verbally confirmed to us that the existing CRE agreements will not be affected by the dismissal or investigation of MOR officials and will remain legally valid and binding. In addition, we also confirm that (i) we did not conduct any activities which may violate any anti-corruption legislations in the PRC; (ii) we did not receive any complaint or request for the investigation relating to any anti-corruption legislations in the PRC; and (iii) our Company, Controlling Shareholders and Directors have not been investigated or prosecuted due to the breach of any anti-corruption legislations in the PRC.

### *Direct Sales to Other Institutional Purchasers*

We entered into sales agreements with Air China, BP-PetroChina JV and China Post, and strategic cooperative agreements with CCBI and ICBCI Holdings, and other institutional purchasers including government agencies and events sponsors on the sale of our bottled water in the form of either bottles or water cards. Direct sales to these customers enhance our brand recognition and provide an important stream of revenue. For example, Air China purchases our product to serve its customers on board its domestic and international flights. In addition, we have established strategic relationships with some of our institutional purchasers to open new sales and distribution channels. For example, BP-PetroChina JV sells our bottled water in the form of water cards at its retail locations, which has further diversified our sales channels. Our PRC counsel has confirmed that all of the agreements with our institutional purchasers will remain legally binding and irrevocable.



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## OUR BUSINESS

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The following table sets forth certain terms of our sales agreements with our institutional purchasers:

Name	Specific Payment/Obligations	Scope/Coverage	Term/Termination
BP-PetroChina JV	BP-PetroChina JV petrol stations sell our bottled water and hold marketing activities as we are required to bear the marketing expenses. BP-PetroChina JV will purchase approximately 4,700 tonnes of bottled mineral water.	Guangdong	This one-year agreement may be renewed with the same terms and conditions, based on a written approval of the other party, upon the expiration every year. The agreement may be terminated, with prior written notice, for certain circumstances including any deception or any damage to BP-PetroChina JV's reputation as a result of our misconducts or product defects.
Air China . . . . .	No target purchase volume is provided in this agreement.	Our bottled water will be served to the passengers on board Air China flights.	This one-year agreement may be terminated with 30 days prior written notice.
China Post . . . . .	China Post will purchase approximately 1,600 tonnes of bottled mineral water.	Our bottled water and water cards will be sold and distributed through post-office channels in Beijing.	This one-year agreement will be automatically renewed each year unless terminated by prior written notice.
Tibet Government	Tibet Government will purchase approximately 15,600 tonnes of bottled mineral water.		The term of this agreement is one year.

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## OUR BUSINESS

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The following table sets forth certain terms of our strategic cooperative agreements with our institutional purchasers:

Name	Specific Payment/ Obligations	Scope/Coverage	Term/Termination
CCBI . . . . .	None	Our water cards will be promoted and sold through the service channels of its controlling shareholder and group companies.	The term of this agreement is three years.
ICBCI Holdings . . .	None	Our water cards will be promoted and sold through the service channels of its controlling shareholder and group companies.	The term of this agreement is three years.

We believe we have had a loyal customer base of government agencies and state-owned enterprises since our inception. The central government has consistently selected and purchased our bottled water for many high-profile government meetings and government-sponsored events. Having our bottled water at these high-profile government meetings and government-sponsored events not only provides exposure for our product that reinforces its high-end brand image but also provides an important source of revenue.

We have entered into cooperative opportunities with BP-PetroChina JV and China Post to promote the sale of our bottled water in the form of both bottles and water cards. We intend to expand the marketing of the water cards as a convenient water delivery service for high income earners that seek the convenience of having our bottled water delivered directly to their homes or offices. In addition, we plan to further expand our sales of our bottled water in the form of these water cards by further exploring retail channels including offering customers the opportunity to purchase our bottled water in the form of the water cards at petrol stations where water card holders can drive in to collect the water in-person instead of waiting for delivery. One of our distributors in Guangdong has entered into a cooperation arrangement with BP-PetroChina JV, a petrol station chain, to produce its own unique water card, which may be redeemed for one box containing 24 bottles of our bottled water. Under this arrangement, holders of this distinct BP-PetroChina JV water card would be able to drive into any BP-PetroChina JV petrol station to redeem the bottled water, which is stored in each petrol station. Our Guangdong-based distributors would arrange for supplies of bottled water to be delivered to each BP-PetroChina JV petrol station to fulfill this demand.

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## OUR BUSINESS

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### *Sales to Third Party Distributors*

Apart from institutional purchasers, we also engage third party distributors to, directly or indirectly through their respective sub-distributors, sell our bottled water in the form of bottles or water cards that can be redeemed for direct delivery of the water.

We have engaged third party distributors to, directly or indirectly through their respective sub-distributors, sell our bottled water and prepaid water cards. The table below sets forth the number of our distributors and sub-distributors as of the date indicated.

	Year ended December 31,
	2010
Distributors . . . . .	5 (period beginning) + 3 (during this period) - 1 (during this period) 7 (period end)
Sub-distributors . . . . .	63 (period beginning) + 58 (during this period) - 38 (during this period) 83 (period end)
Total . . . . .	68 (period beginning) + 61 (during this period) - 39 (during this period) 90 (period end)

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\* The movement of distributors prior to May 2009 is not available as we were building our distribution networks and the database system had not been established during the preliminary development stage of our retail distribution channels.

As of December 31, 2010, we had 90 distributors, which distribute our bottled water to 2,875 points of sale. These points of sale include 1,417 retail outlets, 188 hotels, 413 restaurants, 231 bars, and 626 special channels, which include private clubs, retail outlets at airports, and other customers such as government agencies. Our existing distributors and their sub-distributors, either individuals or corporations, are all independent third-party distributors. We select our distributors based on their familiarity with our product, local sales channels and their potential points of sale. As a result, most of our distributors have significant knowledge of local markets and have the extensive relationships that allow them to have access to various sales channels, such as supermarkets, restaurants and government institutions. As of December 31, 2010, the vast majority of our distributors had worked with us for over three years, which has allowed us to establish lasting relationships with our distributors and build marketing demand for products together. For example, by relying on the experienced marketing team and local knowledge of our distributors, we can reach end customers and increase our brand popularity in our targeted markets more effectively. We have consistently increased

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## OUR BUSINESS

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the number of our distributors from 2007 to date. The number of our distributors increased from 68 as of December 31, 2009 to 90 as of December 31, 2010. Sales to the distributors are recognized once we deliver our bottled water to the distributors, and the terms and conditions of the following sales to the sub-distributors are subject to the distributors' full discretion.

Prior to January 1, 2011, we made a significant portion of our non-CRE sales through Water Co., one of our distributors, which would then enter into agreements with our sub-distributors. We entered into a distribution agreement with Water Co., which was a company managed by Wilmar and functioned as part of a distribution network, after we sold a 25% equity interest in Tibet 5100 to Wilmar in order to further establish our relationship with Wilmar and sell our bottled water through the distribution network of Water Co. Through our arrangement with Water Co., sales and marketing services were provided free of charge. Wilmar did not make any commission or profit from the sale of our product; it only charged Water Co. at cost any expenses incurred. Water Co. accounted for 0%, 8.0% and 3.6% of our revenue in 2008, 2009 and 2010, respectively. Beginning January 1, 2011, we no longer make any sales through Water Co. as Wilmar is no longer our shareholder and we have decided to enter into agreements directly with sub-distributors in order to increase the revenue from our direct sales to sub-distributors. We also hired some former marketing employees of Water Co. to enhance our ability to break into emerging markets. Also beginning on that day, we directly conduct sales and marketing activities and bear related expenses.

In the ordinary course of business, from time to time we terminate relationships with existing distributors and enter into relationships with new distributors, but none of these terminations were due to the breach of agreement terms by the distributors, and none of these changes have had a material adverse impact on our business or results of operations. From time to time, we directly market our product or work with the existing or potential points of sale of our distributors to expand our market reach. For example, we produced co-branded bottled water for the Shangri-la Hotels in a 330 ml format for use in all hotel rooms managed by this hotel group. We maintain close contact with our distributors and their points of sale, and our personnel meet with both distributors and their points of sale regularly to closely monitor their activities and the manner of sale of our product.

### *Management of Our Distribution Network*

Under our distribution agreements with distributors, each distributor usually makes full payment for our bottled water, whether in the form of bottles or water cards, before we deliver the bottled water or water cards to them. We generally do not have any credit policies or return policies with our distributors; we only extend credit policies to our institutional purchasers. We neither provide credit nor accept returns. Our contracts specify minimum procurement amounts which vary on a case-by-case basis. Our contracts with distributors range from one to three year periods.

We typically bear the delivery costs to these distributors' warehouses where the distributors store the bottled water until they deliver to their customers. Our distributors bear the delivery costs to their customers from their warehouses. We utilize the services of CRE in delivering our bottled water from Tibet to our distributors. It normally takes between seven and ten days from the placement of the order for our bottled water to be delivered to our distributors. CRE transports our product from their warehouse in Tibet to one of the four railway transit hub cities in Shanghai, Beijing, Guangzhou or Chengdu and then to our distributors.

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## OUR BUSINESS

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We sell water in the form of bottles or water cards that can be redeemed for the direct delivery of our bottled water before the expiry date. Our distributors purchase our bottled water at a fixed price from us and sell it to their customers in the form of either bottles or water cards that entitle holders to direct delivery of our bottled water to their homes or offices. Certain distribution agreements contain exclusivity clauses whereby the distributor, its shareholders, relatives and employees are not allowed to distribute or produce products like our bottled water. Any distribution agreements entered into with other producers of similar products typically have to be terminated within a certain specified period ranging between one and three months, or our contract with that distributor is deemed to be void.

We require each distributor to report inventory, sale volume and customer information weekly. We also require a monthly update on information regarding their customers. Each distributor is provided with a contractual annual sales target (for peak and off-peak seasons, respectively). We enter into distribution agreements with our distributors directly. Under these distribution agreements, each distributor makes full payment before we deliver the bottled water and water cards to them. We do not have any credit policies or return policies. We neither provide credit nor accept returns. In addition to the agreements with our distributors, we also maintain an internal policy that each distributor has to achieve a minimum monthly sales target, and if sales targets are not met for three consecutive months, we may determine to terminate our agreement with the distributor. We have communicated this policy to all of our distributors. We have a high degree of control over our distributors, including overseeing the stock of our bottled water held by our distributor customers to ensure the distributors do not overstock our product.

We conduct periodic inspections of the inventory of distributors and retail outlets under our direct supervision to assess the level of inventory obsolescence and their sales performance. This enables us to better identify any under-performing distributors with whom we need to terminate our distribution agreements if necessary. This also enables us to identify retail outlets which may not be marketing our bottled water in a manner acceptable to us. For the Track Record Period, we did not encounter any material termination of distribution agreements with distributors or identification of such retail outlets under our direct supervision as a result of such inspections.

We sell our bottled water to distributors at fixed rates, based on the category of each of their points of sale. The price is higher for distribution to bars and hotels than it is for distribution to convenience stores. As we closely monitor our distributors and their sales channels, we are able to accurately identify the exact proportion of our deliveries to each distributor that will end up in each category of points of sale.

### **SALES, MARKETING AND BRANDING**

To reinforce our sales and service coverage, we have an experienced sales team of 58 people as of May 31, 2011, who are located throughout China in our key sales regions. We assign sales representatives to each of our key sales regions to assist our distributors in servicing the points of sale, promoting our product, developing new distributors or sub-distributors and retail relationships,

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## OUR BUSINESS

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supervising their distribution activities and assisting them in developing new markets. We compensate our sales representatives with monthly salaries and bonuses based on their overall performance. We believe this arrangement incentivizes our sales representatives to achieve superior sales performance, which in turn contributes to the success of our operations.

We believe that the strong brand recognition and reputation of our product has been instrumental to the success of our business. We engage in a variety of marketing and promotional activities to promote brand recognition of our product.

We mainly adopt the following marketing initiatives in promoting and increasing the overall awareness among end users:

- *Strategic Cooperation with CRE.* Our cooperation relationship with CRE not only provides us with an important source of revenue and a one-stop shop logistics service provider but also an important marketing channel. Our bottled water has been placed on each seat of high-speed trains, inter-provincial CRH trains and certain other CRH trains including the Guangzhou-Shenzhen Railway trains, which will help promote our brand name and brand recognition among passengers.
- *Strategic Cooperation with other Institutional Purchasers.* We have entered into agreements with other institutional purchasers including government agencies, events sponsors and individual customers who purchase our bottled water in the form of either bottles or water cards. In addition to providing an important stream of revenue, sales of our product by these institutional purchasers enhance our brand recognition and has further diversified our sales channels into non-traditional points of sale.
- *Co-Branding Partnership.* We intend to continue seeking suitable partners to enter into co-branding and co-marketing partnerships that will help promote and enhance our brand name. For example, we have already entered into co-branding arrangements with Shangri-la Hotels, Beijing Quan Ju De (全聚德), CCB and COFCO. We are currently evaluating opportunities to enter into co-branding or co-marketing arrangements with several large companies in China that not only expand our distribution network but also provide publicity for our brand and products. We also plan to continue seeking suitable events to use our bottled water and display our brand, such as high-profile government meetings, sporting events or other cultural events.
- *Event Sponsorship.* We have sponsored selected high-profile sporting events such as the HSBC Champions golf tournament in Shanghai in 2009 and China Tennis Open in 2009. Banners bearing our brand and bottled water are displayed at prominent places at these events, and we provide complimentary bottled water for consumption at the events. These initiatives are designed to increase customer awareness of our brand name with high-profile events and luxury establishments.
- *TV advertisement and Newspaper Promotional Reports.* Although TV advertisement has not been a primary marketing tool for us, we have produced a TV advertisement featuring the world-famous pianist, Lang Lang. Under our arrangement with Lang Lang, he served as an endorser of our products for 2008.

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## OUR BUSINESS

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We maintain a customer service hotline that operates from 8:30 a.m. to 9:00 p.m. daily that can also be used to assist our distributors to provide service to retail outlets, as well as answer questions from consumers about our product and educate them about the importance of water intake and important features of our product. Holders of our water cards may also call our hotline to request delivery before the expiry date. The water is then delivered from the closest warehouse maintained by CRE or FedEx to the water card holder using FedEx or CRE to arrive within 48 hours of the call. Our efficient logistics and shipping network allows us to deliver our bottled water across China on a reliable and timely basis.

Distributors are not allowed to request any replacement or refund from us. Instead, our practice is to agree on a predetermined discount toward future purchases by the distributors. Currently, we only offer this discount program to CRE.

The Company's PRC counsel has advised that, based on the Company's confirmation and the examination of relevant documents provided by the Company, the Company's PRC counsel does not find the Group in violation of any relevant laws and regulations in the PRC in relation to the packaging, labelling and advertising of its products since its establishment.

### LOGISTICS

We have established an efficient logistics network across China via our strategic cooperation with CRE since September 2007. We choose to have our production facilities close to the water source in Dangxiong County, Tibet to ensure the best-quality product. In light of the location of our operations in Tibet, we recognize the importance of establishing an efficient logistics network to facilitate the nationwide delivery of our product and the transportation of raw materials to our production sites in a timely manner. We have entered into strategic arrangements with CRE to provide an integrated logistics solution for us to cover the transportation and storage from the production facilities in Tibet to the various water storage centers as well as delivery to our customers. In 2008, 2009 and 2010, our transportation cost incurred from CRE's integrated logistic services amounted to RMB31.1 million, RMB63.9 million and RMB87.5 million, respectively. In addition, we have also entered into strategic arrangements with FedEx and China Post for the delivery services from those CRE water storage centers to consumers. Under our arrangements with FedEx, the deliverer is required to deliver our products within 48 hours while we are required to maintain a minimum order amount of their delivery services. China Post also provides us with warehouses to enhance the efficiency of delivery as well as the payment services which enable our customers to pay upon delivery.

#### Transportation, Warehouse Storage and Delivery

As part of the integrated logistics solution, CRE provides us with the transportation and storage services for our raw materials and bottled water. CRE is a subordinate enterprise under the MOR, and has 2,006 offices in more than 670 cities. Its logistics and delivery services cover more than 900 cities and constitute the broadest and most efficient logistics network in China. With the expansive network of railroads and trains governed by MOR at its disposal, CRE delivers our bottled water throughout China and provides thousands of points of sale for our product through MOR railway stations and MOR-owned or affiliated shops, restaurants and hotels that surround railway stations.

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## OUR BUSINESS

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Our logistics and transportation agreements with CRE provide for the storage of our bottled water in CRE warehouses, the transportation to Tibet of the raw materials required to manufacture our product, guaranteed cargo space on board its trains throughout the year and the delivery of our bottled water throughout China, including delivery service for holders of water cards that can be redeemed for direct delivery of our product.

For raw materials, CRE helps us assemble all the raw materials purchased from various suppliers located at different places in a few transit hubs (Shanghai, Beijing, Guangzhou, Chengdu) first before transporting those materials to the transfer stations in Xining and Lanzhou. All the ordered raw materials are then transported to the production facilities in Tibet, which helps reduce transportation costs significantly.

For bottled water, CRE provides us with daily dedicated transportation capacity to allow us to transport our bottled water from Tibet through its railway network. It has a monthly system report of the estimated transportation plan for the next month and a daily system report of the inventory level in the Lhasa storage facility and the availability of the outbound trains. CRE has established and maintained warehouse storage centers for us in Lhasa, four railway transit hub cities in Shanghai, Beijing, Guangzhou and Chengdu, and various branch water storage centers supplemented by some water supply outlets across the country. This design helps reduce the unnecessary transportation costs and ensure the timely delivery of our product to customers.

Under our logistics and transportation agreement with CRE, we pay CRE a fixed price per box of bottled water and per kilogram of the products for the delivery service, which includes integrated logistics and transportation services. On December 15, 2010 we extended our logistics and shipping agreement with CRE for an additional three years, which expires on December 31, 2013.

We have employed a variety of delivery models to meet our customers' demand. In addition to the logistics support provided by CRE, we have established relationships with FedEx and China Post to expand our delivery coverage area and delivery speed. For example, we have established a relationship with FedEx for the delivery in large cities and rely on CRE in second and third tier cities. It normally takes between seven and ten days from the placement of the order by our distributors for our bottled water to be delivered to our distributors.

### **Inventory Control**

Our inventories consist mainly of raw materials, such as PET and packaging materials. Due to the fact that our raw materials suppliers are located far from our production facilities in Lhasa, efficient inventory management is essential to our daily operations. We have established a joint inventory management model with CRE to coordinate with each other in inventory management and information sharing to integrate our inventory system and reduce unnecessary inventory storage costs. The efficient logistics and transportation solution provided by CRE allows us to continuously monitor and keep our inventories at efficient levels.



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## OUR BUSINESS

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We also undertake inventory control in order to reduce the risks of obsolescence. We strive to keep the inventory at an appropriate level to facilitate the production process. We perform periodic surveys of the warehouse facilities for accurate inventory levels. We have also taken measures to ensure our distributors provide accurate information about their inventory level.

### SUPPLIES

The principal raw material that we use to manufacture our product is PET, which is used in manufacturing our bottles. In addition to PET, we source other packaging raw materials, such as HDPE used for bottle cap production, boxes and labels from domestic suppliers.

PET is used to produce bottles for our product. The transparency and safety of PET bottles and their competitive pricing make PET a key raw material in beverage packing industry. We place great emphasis on the quality of the PET raw materials, in particular, we seek to acquire PET with the lowest AA content commercially available in China, to ensure the quality and taste of our water. In order to ensure the quality and safety of our bottled water, we started manufacturing our own bottles in 2009. We purchase PET from third party suppliers. Our annual requirement of PET is currently approximately 5,000 tonnes, as of the year ended December 31, 2010, and our demand for PET will increase as our production quantity increases. Our contracts for PET granules consist of a master contract that outlines the estimated quantity, delivery details, payment details and other standard terms, but the price of the PET is not fixed and is determined by the market spot price. As PET is produced from petroleum, the price of PET is subject to a high degree of price volatility caused by external conditions that affect the market price of oil. Since PET is a product of petroleum, the PET price is heavily influenced by the price of oil. Our costs incurred for purchasing or producing PET bottle performs in 2008, 2009 and 2010 was RMB27.4 million, RMB33.1 million and RMB48.4 million, respectively, which accounted for 46.0%, 36.2% and 37.7% of our total cost of sales, respectively. We believe that there is no shortage of PET in the PRC and that there is a sufficient supply of PET in the PRC to meet our needs in the foreseeable future, and therefore, we have not taken any measures to hedge against the fluctuations in the price of PET.

We generally select our PET suppliers based on the best quality, pricing and service available. Our policy is to have at least two suppliers for raw materials so that we are not dependent on any single PET supplier. Our main PET suppliers are Yuanfang Industrial (Shanghai) Limited and Pulasi Packing Material Ltd., with which we have cooperated for five and three years, respectively. We have not purchased any PET from overseas suppliers. Although we currently work with two preferred suppliers and plan to continue our relationship with them, we are not reliant on these suppliers as there are many other suppliers in the market which could offer similar terms as our current PET suppliers. We have not entered into any long-term purchase contracts with our PET suppliers and do not plan to enter into any such long-term contracts or arrangements. We have not in the past experienced any material interruption or material shortage of PET and do not expect to experience any in the near future in view of the multiple domestic suppliers of PET. We expect our demand for PET will continue to increase with the expansion of our business.

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## OUR BUSINESS

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Our five largest suppliers together accounted for approximately 71.0%, 53.0% and 46.0% of our raw materials and services purchased in 2008, 2009 and 2010, respectively. The single largest supplier accounted for approximately 32.0%, 18.0% and 30.0% for the relevant periods indicated above, respectively. We believe that none of the suppliers has any intention of terminating its business relationship with us and even in the case that they do, there are alternative suppliers in the market who can supply the raw materials of similar quality for our production. None of the Directors, their respective affiliates nor shareholders (who or which to the knowledge of the Directors owns more than 5% of the issued share capital of the Company or any of its subsidiaries) had any interest in any of our five largest suppliers during the Track Record Period.

### COMPETITION

Our direct competitors consist primarily of international brands of premium bottled mineral water, such as Evian, Perrier, San Pellegrino and Volvic, and domestic brands such as Emperial Spring, Laoshan and Pamir. Our indirect competitors include mass market brands of bottled water and other bottled beverages.

Evian and Volvic are premium bottled mineral water brands owned by Groupe Danone, which distributes these brands through Danone Premium Mineral Water (Asia) in the Asia-Pacific region. According to EuroMonitor International, by the end of 2009, Danone established 300,000 points of sale in 14 provinces in China, reaching 600 million Chinese consumers. In 2009, Groupe Danone sold 63.7 million liters of premium bottled mineral water in China, accounting for 26.3% of China's premium bottled water market, while Evian contributed nearly 92% of the total sales volume.

Nestle has also introduced several brands of premium bottled mineral water into China, including Perrier, San Pellegrino, Vittel, Acqua Panna, and Contrex, amongst which Perrier and San Pellegrino are two brands with greater popularity. According to EuroMonitor International, in 2009, Nestle represented 5.0% of China's premium bottled mineral water consumption, reaching 12.1 million liters. Perrier contributed to nearly 73% of the total sales volume while San Pellegrino contributed to 22% of the sales volume. The annual growth rate of Nestle premium mineral water sales volumes from 2007 and 2009 was approximately 12%, slower than the industry's average pace. Thus, it is losing ground to the developing domestic brands.

For domestic competitors, Emperial Spring was introduced in 2006 by Heilongjiang Emperial Spring Drinks Co., Ltd., which specialized in the development and production of natural soda water products. In 2009, the sales volume of Emperial Spring amounted to 7.5 million liters, up 25% from 2008, and accounted for 3.1% market share of the premium bottled mineral water market.

Pamir Mineral Water was introduced by Pamirs Tianquan Co., Ltd., which was founded in 2003, and mainly distributes its water to selected consumers in hotels and shopping malls. Its sales network covers 25 cities from North-eastern Harbin to South-eastern Shenzhen and Hong Kong. In 2009, Pamir mineral water achieved a sales volume of approximately 3.5 million liters, accounting for 1.4% of the total premium mineral water market.

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## OUR BUSINESS

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We primarily compete on the basis of our unique water source, brand image, product quality, distribution network and ability to develop and maintain strong relationships with institutional purchasers.

### INTELLECTUAL PROPERTY RIGHTS

We have applied and obtained the trademark registrations for “5100” with the State Administration Bureau of Industry and Commerce of the PRC. “5100” is recognized as a trademark in China by relevant government agencies in over 50 countries, including the United States, Japan and the United Kingdom.

We have also applied for and obtained patents for our packaging design, including our label and certain design of our bottles. We have a patent application pending with the State Intellectual Property Office of the PRC for a water processing method at high altitude, which has entered into substantive review stage as of February 12, 2010.

On November 16, 2009, our product was granted certification from the National Geographical Indications agency in the PRC that identifies our bottled water as originating from the Qumaduo Spring and confirms that our bottled water meets certain quality assurance tests. This certification allows us to state that our water originates from the Qumaduo Spring on our bottles.

### ENVIRONMENTAL, SAFETY AND SOCIAL ISSUE MATTERS

Our environmental management system has been certified to be in full compliance with ISO14001:2004 and GB/T 24001-2004 standards since February 20, 2008 by the China Quality Certification Center. The railway system has started a program to recycle the bottles of our bottled water consumed on trains as part of our efforts to achieve sustainable growth.

We have strict machine operation manuals and policies in place to provide a safe working environment. Our occupational health and safety management system has been certified to be in compliance with OHSAS 18001:1999 and GB/T 28001-2001 standards by the China Quality Certification Center.

Like many beverages that are sold commercially, our bottles are primarily made of PET. PET is a 100% recyclable material. We didn't encounter any material environmental and safety incidents during the Track Record Period and up to the Latest Practicable Date. Our PRC counsel has advised that, based on the confirmation letters issued by relevant environmental authorities and our confirmation, they do not find the Group in violation of relevant environmental laws and regulations.

No indigenous communities have sought to claim an interest in our water source, and our PRC counsel is not aware of any such claim by the indigenous community against us. Given we have obtained the valid mining licenses, our PRC counsel confirms that we have the absolute right to protect our interest in the water source if the indigenous community brings any claims in the future.

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## OUR BUSINESS

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### EMPLOYEES

The following table sets forth the total number of full-time employees by job function as of the date indicated. In accordance with PRC laws, we are required to participate in various pension programs and government-sponsored benefits for our employees, including unemployment, health, childbirth and housing benefits. Based on the Company's knowledge of the industry, the Company believes that the salaries, pension and benefits paid to its employees are on par or better than the industry average in Tibet.

	<b>As of December 31, 2010</b>
Sales and Marketing . . . . .	58
Production and Logistics . . . . .	123
General Management . . . . .	<u>33</u>
<b>Total</b> . . . . .	<u><u>214</u></u>

Our PRC counsel has advised that, (i) based on the confirmation letters issued by relevant social insurance authorities, our confirmation and the examination of the documents provided by us, our PRC counsel does not find us in violation of relevant labour laws and regulations; and (ii) based on the confirmation letters issued by relevant social insurance authorities and our confirmation, we have made all contributions to relevant social insurance schemes for its employees within the PRC.

### INSURANCE

We maintain insurance policies on certain of our properties, including our production facilities, equipment, and inventory that cover losses arising from fire, earthquake, flood and a wide range of other natural disasters. We also maintain insurance to cover our product in transit and work-related injury insurance for our employees.

Consistent with customary industry practice in China, we do not maintain business interruption insurance and key-man life insurance for our executive officers. In line with the usual industry practice, we also do not maintain product liability insurance or insurance covering potential liability relating to the release of hazardous materials, which are not required to maintain under PRC insurance laws and regulations. For more information, please refer to "Risk Factors—Our business and reputation may be affected by product liability claims, litigation, complaints or adverse publicity in relation to our products". The Directors believe that the Company's insurance policies are adequate and consistent with the common industry practice in the PRC.

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## OUR BUSINESS

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### SEASONALITY

The beverage market is subject to some seasonal variations. We typically experience higher sales of our bottled mineral water, which is consumed primarily to quench thirst, in the second and third quarters of the year when the weather is hotter and drier in China than the first and fourth quarters of each year. In addition, substantially all of our revenue from our sales to and through the CRE network is recognized from May to November of each year. Sales of our mineral water in the form of water cards are typically higher in the first and fourth quarters of the year due to the fact that water cards are easier to give as gifts, and we believe that more consumers purchase gifts in the first and fourth quarters of each year due to the Christmas and Chinese New Year holidays. In general, our revenue in January and February of each year is usually the lowest two months of the year because our shipments of water from Tibet are limited by the cold weather conditions and Chinese New Year holidays. Sales can also fluctuate during the course of the year for a number of other reasons, including weather conditions, timing of launch of new products, and the timing of advertising and promotional campaigns.

### REAL PROPERTIES

Our head office is located at Room 3401, 34/F., China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong. Our owned and leased real properties are all located within the PRC.

- As of the Latest Practical Date, we own, hold or occupy land with an aggregate site area of approximately 106,774 square meters, of which we hold land use right certificates for land with an aggregate site area of approximately 106,774 square meters.
- As of the Latest Practical Date, our offices, production, residential and other ancillary buildings or units have an aggregate gross floor area of approximately 21,048 square meters in the PRC. Among the 19 buildings or units that we own, hold or occupy, we have obtained the building ownership certificates or real estate ownership certificates for 10 buildings or units, with an aggregate gross floor area of approximately 5,487 square meters. We are in the process of obtaining the building ownership certificates for 9 buildings or units, with an aggregate gross floor area of approximately 15,561 square meters. According to the confirmation from the relevant governmental authority and our PRC counsel's legal opinion, there will not be any material legal impediment for us to obtain the building ownership certificates for such nine buildings or units.

Please refer to the valuation report prepared by Jones Lang LaSalle Sallmanns Limited, an independent property valuer, in "Property Valuation Report" in Appendix IV to this prospectus for further details on the valuation.

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## OUR BUSINESS

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### LEGAL PROCEEDINGS AND COMPLIANCES

To our best knowledge, there are no litigation or arbitration proceedings pending or threatened against us or any of our Directors which could have a material adverse effect on our financial condition or results of operations.

In addition, our Directors, as advised by our PRC counsel, Jingtian & Gongcheng, confirm that as at the Latest Practicable Date, we have complied with all relevant PRC laws and regulations in all material respects, including obtaining all required permits and licenses.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and the Capitalization Issue (but without taking into account any Shares to be sold pursuant to the exercise of the Over-allotment Options), our immediate Controlling Shareholder, namely Water Resources, will own approximately 52.41% of the issued capital of our Company.

As of the Latest Practicable Date, Water Resources was owned as to 98.67% by Maple Essence, which was in turn owned as to 90% by True Asset, an investment holding company wholly owned by Mr. Wang.

Mr. Wang was raised and lived in the PRC for a substantial period of time. From 1986 to 1994, Mr. Wang took part in various business activities in the mainland China. In 1995, Mr. Wang invested in Lhasa Brewery and introduced professional management personnel to manage the brewery business, which was listed on the Shenzhen Stock Exchange in 1997 until it became a subsidiary of Tibet Galaxy, a Tibet company with its A-shares listed on the Shenzhen Stock Exchange. Prior to 2005, Mr. Wang indirectly held 81.25% in Tibet Guangda, which held equity interest in Tibet Galaxy. In April 2005, Mr. Wang sold his 81.25% interest in Tibet Guangda to Independent Third Parties. Mr. Wang served as a director of Tibet Galaxy and he resigned from that position in January 2011. Mr. Wang is not and has not been a full time government official of any country, and he is not and has not been a full time employee of a state / government-owned / operated entity.

The management and shareholders of our Group and Tibet Guangda has long-standing personal and professional relationships. Following these relationships, during the Track Record Period, the Group entered into the financing transactions (the “Financing Transactions”) with Tibet Guangda which involved inter-company borrowings and guarantees between our Group and Tibet Guangda.

Our Company believes that such inter-company transactions did not have any material impact on the operating results and financial condition of our Group, nor will they have impact in the future because there has been no similar inter-company transactions since July 2009.

Our PRC counsel has advised that the contracts in connection with the Group’s financing activities with Tibet Guangda shall be invalid under relevant PRC laws and regulations. However, our Group and Tibet Guangda have not contracted any interest payments for the Financing Transactions nor did the Group obtain any income from the Financing Transactions. In addition, our Group had repaid and been paid all the outstanding amounts under the Financing Transactions by December 2010. Based on the foregoing, our PRC counsel is of the opinion that our Group will not be subject to any fines or penalties due to the Financing Transactions.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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Mr. Yu, an executive Director, is also a director of Water Resources and Maple Essence, being Controlling Shareholders. However, each of Water Resources and Maple Essence is an investment holding company.

For the purpose of the Listing Rules, Water Resources, Maple Essence, True Asset and Mr. Wang are deemed as the controlling shareholders of the Company.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Apart from the connected transactions set out in the section headed “Connected Transactions” in this prospectus, our Directors do not expect that there will be any other significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing. Our Group is capable of carrying on our business independently of and does not place undue reliance on our Controlling Shareholders, taking into consideration the following factors:

#### Management and operational and administrative independence

Our Board of Directors consists of nine Directors, of whom five are executive Directors, one is a non-executive Director and the remaining three are independent non-executive Directors.

Mr. Wang does not hold any office in our Group and does not have day-to-day involvement in the management of our Group. He has been retired from full-time business activities in mainland China since 2005 and has entrusted the management team of the Group with running the Group’s operations. Furthermore, he does not carry on any business which is in competition with the business of our Group. Save for the period from January 19, 2009 to August 20, 2010, during which Mr. Wang was a director of Tibet 5100, he has never been a director to the Company or any of our subsidiaries and has not been involved in the day-to-day operational decisions of the Group since the beginning of the Track Record Period. Mr. Wang believes the management duties of the Group have been placed in the hands of a highly competent management team with a record of successfully managing the Group, and with many of whom he has established long-standing personal and professional relationships. For example:

- *Mr. Yu*, the Group’s chairman of the board and executive director. Mr. Yu has co-founded the Group in 2004 and is a long-term personal friend of Mr. Wang’s.
- *Mr. Fu Lin*, the Group’s chief executive officer and executive director. Mr. Fu worked with Mr. Wang while he held various positions at Everbright Securities from 1993 to 2004.
- *Mr. Yue Zhiqiang*, an executive director. Mr. Yue worked with Mr. Wang at Tibet Galaxy and Lhasa Brewery in early 2000s.
- *Ms. Mou Chunhua*, an executive director. Similar to Mr. Yue, Ms. Mou also worked with Mr. Wang in late 1990s and early 2000s, first at Tibet Galaxy and subsequently at Lhasa Brewery.



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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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As a result of the foregoing, Mr. Wang believes that his interests in the Group are well-protected through his rights as the Controlling Shareholder, without holding a position on the board of directors.

The Group is managed by our Directors and senior management and Mr. Wang's involvement in the Group throughout the Track Record Period and for the future has been and will primarily be providing advice on development strategies relating to the Group in his capacity as a controlling shareholder of the Group, if such advice is sought from him. All the directors of the Company know their fiduciary duties are owed to the Company and the directors are well aware that they will determine whether to follow Mr. Wang's advice or not after taking on board what may be best for the Company.

Our Directors are of the view that our Company is able to operate independently from our Controlling Shareholders. Each of our Directors is aware of his or her fiduciary duties as a Director of our Company which requires, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a director and his or her personal interest. So that in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, our Board of Directors is supported by a senior management team to make business decisions independently from the interested Director(s). The responsibilities of the senior management team of our Group include dealing with operational, financial, research and inventory management matters, making general capital expenditure decisions and the implementation of the business strategy of our Group. This ensures the independence of the management and operations of our Group from the Controlling Shareholders. Our three independent non-executive Directors will also bring independent judgment to the decision-making process to our Board.

### **Financial independence**

We have an independent financial system and make financial decisions according to our own business needs. Our Directors confirm that all financial assistance, including amount due to, loans or guarantees provided by our Controlling Shareholders and their respective associates to our Group were or will be repaid or released or capitalized or otherwise settled in full before the Listing, further details of which are set out under the section "Financial Information — Indebtedness" in this prospectus. We believe we are capable of obtaining financing from Independent Third Parties, if necessary, without reliance on our Controlling Shareholders after the Listing. Therefore, there is no financial dependence on the Controlling Shareholders.

### **NON-COMPETITION UNDERTAKING FROM OUR CONTROLLING SHAREHOLDERS**

Our Controlling Shareholders have jointly and severally entered into a deed of non-competition undertaking on June 14, 2011 in favour of our Company ("Deed of Non-competition Undertaking"), pursuant to which each of our Controlling Shareholders has undertaken to our Company (for itself and for the benefit of its subsidiaries) that each of them would not and would procure that each of their associates (other than our Group) would not, at any time during the Non-Compete Period (as defined

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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below), directly or indirectly, either on his own account or in conjunction with or on behalf of any person, firm or company (in each case whether as a shareholder, partner, agent, employee or otherwise), among other things, carry on, engage, participate, concerned or interested in or in any way assist in or provide support to any business similar to or which competes (either directly or indirectly) or is likely to compete with the business of any member of our Group from time to time (“Restricted Business”).

Such non-competition undertaking does not apply to :

- (a) the holding by our Controlling Shareholders of interests in the shares of a company (whether or not listed on any stock exchange) other than our Group provided that:-
  - (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 5% of that company’s consolidated turnover or consolidated assets, as shown in that company’s latest audited accounts; or
  - (ii) the total number of the shares held by our Controlling Shareholder and/or his associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and our Controlling Shareholder and/or his associates is not entitled to appoint a majority of the directors of that company and there exists at least another shareholder of that company whose shareholding in that company is more than the shareholding of our Controlling Shareholder and his associates in aggregate;
- (b) any opportunity to invest, participate, be engaged in and/or operate any Restricted Business has first been offered or made available by our Controlling Shareholder and/or his associates to us, and after decision by our independent non-executive Directors and approval by our Board of Directors and/or Shareholders as required under the relevant laws and regulations (including but not limited to the Listing Rules) and in accordance with our Articles of Association, we have declined in writing such opportunity to invest, participate, be engaged in or operate the Restricted Business, and that the principal terms by which our Controlling Shareholder (or his associates) subsequently invests, participates, engages in or operates the Restricted Business are no more favourable than those offered to us.

The “Non-Compete Period” stated in the Non-Competition Deed refers to the period commencing on the Listing Date and ending on the earlier of :

- (i) the Controlling Shareholders and any of their associates cease to be the controlling shareholder(s) of the Company and cease to be director(s) of the Company and the Group Companies; or
- (ii) the date on which the shares of the Company cease to be listed on the Stock Exchange;

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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Under the Deed of Non-competition Undertaking, each of the Controlling Shareholders has further undertaken to our Company, among other things, that during the Non-Compete Period that:-

- (a) he will provide information necessary for the annual review by the independent board committee of the Company for enforcement of the undertakings contained in the Deed of Non-competition Undertaking;
- (b) he will make an annual declaration on compliance with such undertakings and acknowledges that the Company will make disclosures in its annual reports or by way of announcements regarding the decisions of the independent non-executive directors of the Company on matters referred to in the Deed of Non-competition Undertaking and give his consent to such disclosure;
- (c) in the event of any disagreement between the parties to the Deed of Non-competition Undertaking as to whether or not any activity or proposed activity of a Controlling Shareholder constitutes a Restricted Business, the matter shall be determined by the independent non-executive directors whose majority decision shall be final and binding; and
- (d) to the extent applicable, he shall excuse and abstain himself from voting in and not be counted as quorum of , any meetings of shareholders and/or board of directors of the company for consideration and approval of any matters referred to in the Deed of Non-competition Undertaking, which have or may give rise to actual or potential conflicts of interest.

Our Directors are of the view that our Group's measures are adequate to safeguard the effectiveness of the Deed of Non-competition Undertaking.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and its associates will be required to comply with the requirements of the Listing Rules, including, where applicable, the announcement, reporting and independent shareholders' approval requirements.

### **Confirmation**

Each of our Controlling Shareholders has confirmed to us that, as at the Latest Practicable Date, they and their associates did not have any interest in any business other than that of our Group, which competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules. As of the Latest Practicable Date, none of our Directors had interest in any business which may compete, either directly or indirectly, with our Group's business.

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## CONNECTED TRANSACTIONS

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### CONNECTED TRANSACTIONS

#### Exempt Continuing Connected Transactions

Immediately after completion of the Global Offering, the following transactions will be regarded as continuing connected transactions exempt from the reporting, announcement and independent shareholders' approval requirements under Listing Rule 14A.33. However, such transactions may in the future and during the terms of the respective agreements be subject to reporting, announcement and independent shareholders' approval requirements under Rule 14A.35.

#### 1. *Bioform Trademark License Agreement*

##### *Information of the connected person:*

5100 Bioform is a company incorporated in Hong Kong and owned as to 50% by Hongkong Zhongji and the remaining 33.3% by Casa De Fleur (Far East) Co. Limited and 16.7% by New Great Group Limited respectively. Both Casa De Fleur (Far East) Co. Limited and New Great Group Limited are Independent Third Parties, whereas Hongkong Zhongji is owned as to 90% by Starry Investment Development Limited, a company wholly-owned by Mr. Wang, and as to 10% by Tibwatres Investment Limited, a company wholly-owned by Ms. Li. Our Controlling Shareholder Mr. Wang, and an executive Director Mr. Yu, are also directors of 5100 Bioform. As a result, 5100 Bioform is a connected person of our Company under the Listing Rules upon the Listing of our Company.

5100 Bioform has been established with the prospect of engaging in the manufacture, production, trading, supply, wholesale and retail of items for cosmetic purposes with its liquid content being manufactured with the use of our product. Our Company contributes to the business by supplying our product and Casa De Fleur provides certain patented technology under the brand name of "BIOFORM". Certain products including a facial spray by the name of Tibet Spring 5100 Glacier Facial Spray (西藏冰川醒膚噴霧) have been manufactured and distributed in the PRC as gift items to buyers in conjunction with the purchases of our product.

##### *Background of the transaction:*

During the Track Record Period, the Hong Kong Trademarks were registered in Hong Kong in the name of Hongkong Zhongji with the consent of Glacier Water and our Group.

During the Track Record Period, Hongkong Zhongji permitted 5100 Bioform to use certain Hong Kong Trademarks at nil consideration in producing samples of Cosmetic Products as promotion gift items to selected customers of the Company.

On December 22, 2010, at the request of Glacier Water, Hongkong Zhongji assigned the Hong Kong Trademarks to Glacier Water at no monetary consideration by the Hong Kong Trademarks Assignment.

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## CONNECTED TRANSACTIONS

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Under the Hong Kong Trademarks Assignment, 5100 Bioform as the confirmor agreed to and confirmed with the execution of the Hong Kong Trademarks Assignment on the understanding that after the said assignment, Glacier Water would grant to 5100 Bioform a new trademark license agreement to use the Hong Kong Trademarks bearing registration numbers 300682227, 300682245 and 301778527 respectively and the PRC Trademarks bearing registration number 6161050 (collectively the “Designated Trademarks”) on the cosmetic products authorised by Glacier Water (“Authorised Cosmetic Products”) for a period of 3 years and on terms and conditions to be agreed by the parties.

*The License:*

By the Bioform Trademark License Agreement, Glacier Water, being the registered/beneficial owner or legitimate user of or applicant of the “Designated Trademarks”, agreed to grant to 5100 Bioform for a term of three (3) years from January 1, 2011 to December 31, 2013 (i) a non-exclusive license to use of the word “5100” as part of the company name of 5100 Bioform; and (ii) a non-exclusive, non-transferable, non-assignable license to use the Designated Trademarks in relation to the manufacture and sales of Authorised Cosmetic Products only, subject to normal commercial terms and conditions as contained in the Bioform Trademark License Agreement. The license fee payable by 5100 Bioform to Glacier Water is HK\$100,000 per annum.

The Bioform Trademark License Agreement was entered into between the parties on an arm’s length basis and in the interest of the Group as a whole. The total annual license fee was agreed between Glacier Water and 5100 Bioform prior to the signing of the Hong Kong Trademarks Assignment in order to obtain 5100 Bioform’s written confirmation to the Hong Kong Trademarks Assignment.

Since the amount to be paid by 5100 Bioform to Glacier Water will not exceed HK\$100,000 per annum, and the highest applicable ratio will be, on an annual basis, less than 0.1%. Accordingly, the Bioform Trademark License Agreement constitutes a de minimis continuing connected transaction exempt from reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

### **2. Bioform Sales Framework Agreement**

*Background of the transaction:*

For the production of the said promotion gift items for the distribution by the Company to its selected customers in conjunction with the sales of our product, Glacier Water had supplied our product to 5100 Bioform at no monetary consideration. The volume of our product supplied to 5100 Bioform amounts to 0 tonne, 0 tonne and 42.12 tonnes respectively for the three years ended December 31, 2008, 2009 and 2010 respectively, representing respectively 0%, 0% and 0.05% of the total of our product we produced during the said periods which was insubstantial.

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## CONNECTED TRANSACTIONS

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As at the Latest Practicable Date, 5100 Bioform has not commenced any sales of the Authorized Cosmetic Products. However, commencing from October 2011, 5100 Bioform will start selling of the Authorised Cosmetic Products using our product as one of its ingredients. In the result, 5100 Bioform will commence sales of the Authorised Cosmetic Products and will continue to purchase our product after Listing.

### *The Agreement:*

The Bioform Sales Framework Agreement is for a term of three (3) years from January 1, 2011 to December 31, 2013 and is subject to normal commercial terms and conditions. The prices payable by 5100 Bioform to Glacier Water for the purchase of our product will be based on the prevailing market rates which Glacier Water will apply to Independent Third Party distributors.

### *Annual caps:*

As mentioned above, the manufacturing and selling of the Authorised Cosmetic Products by 5100 Bioform is in the initial development stage. The volume of our product that may be required in the production of the Authorised Cosmetic Products by 5100 Bioform in the near future may be insubstantial when compared with our total annual sales of our product. We anticipate that the total sales of our product to 5100 Bioform for the three years ending December 31, 2011, 2012, and 2013 will not exceed RMB200,000, RMB400,000 and RMB600,000 per annum, and the highest applicable ratio will be, on annual basis, less than 0.1%. Accordingly, the Bioform Sales Framework Agreement constitutes a de minimis continuing connected transaction exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **No waivers applied for in respect of the above continuing connected transactions:**

For the continuing connected transactions described in the section above, each of the percentage ratios (other than profit ratios), where applicable, calculated by reference to Listing Rule 14.07(i) in respect of the Bioform Trademark License Agreement, is expected on annual basis to be less than 0.1% and (ii) in respect of the Bioform Sales Framework Agreement, is expected on annual basis to be less than 0.1%. Accordingly, such transactions currently qualify under Listing Rule 14A.33(3) as de minimis transactions that are exempt from reporting, announcement and independent shareholders' approval requirement

### **Confirmation from the Directors:**

In the opinion of the Directors (including the independent non-executive Directors), the above connected transactions are entered into under normal commercial terms and in the ordinary and usual course of business, and the terms of which are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

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## DIRECTORS AND SENIOR MANAGEMENT

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### GENERAL

#### Board of Directors

The Board currently consists of five executive Directors, one non-executive Director and three independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business.

The table below sets forth information regarding the Directors upon Listing:

Name	Age	Position/Title	Date of Appointment
Mr. Yu Yiping Wallace (俞一平) . . . . .	55	Executive Director and Chairman	November 8, 2010
Mr. Fu Lin (付琳) . . . . .	45	Executive Director and Chief Executive Officer	March 1, 2011
Mr. Yue Zhiqiang (岳志强) . . . . .	46	Executive Director	March 1, 2011
Ms. Mou Chunhua (牟春華) . . . . .	47	Executive Director	March 1, 2011
Mr. Liu Chen (劉晨) . . . . .	27	Executive Director	March 1, 2011
Ms. Jiang Xiaohong (姜曉虹) . . . . .	53	Non-executive Director	March 1, 2011
Mr. Jesper Bjoern Madsen (麥奕鵬) . . . . .	57	Independent Non-executive Director	March 1, 2011
Mr. Lee Kong Wai, Conway (李港衛) . . . . .	56	Independent Non-executive Director	March 1, 2011
Mr. Wei Cheng, Kevin (蔚成) . . . . .	43	Independent Non-executive Director	March 1, 2011

#### Executive Directors

**Mr. Yu Yiping Wallace** (俞一平), aged 55, is the chairman and an executive Director of our Company. Mr. Yu has been an executive Director since November 8, 2010. Mr. Yu is the co-founder of our Group and he has been responsible for the overall business development and strategic planning of our Group. Mr. Yu has over 26 years of experience in business management, trading and investment. Mr. Yu has been serving as director of Sino Ocean, an investment holding subsidiary of our Company, since 2003, and the chairman and director of Tibet Zhongji and Glacier Water, two major operating subsidiaries of our Company since 2004 and 2005 respectively. Mr. Yu has also been serving as the managing director of Jintong since 2003 and director of 5100 Bioform since 2009. From 2006 to 2007, Mr. Yu served as an independent director of Xin Jiang Hops Co., Ltd (新疆啤酒花股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600090). Prior to joining our Group, Mr. Yu was the managing director of China Investment Fund Co. Ltd., a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 612), from 2002 to 2003. From 1995 to 1996, Mr. Yu served as the business representative of the Hong Kong and Beijing offices of Glencore International Ag. (嘉能可亞洲有限公司). Mr. Yu graduated from the University of International Business and Economics (對外經濟貿易大學) with a bachelor degree in Economics in 1983. He later received a master degree from the University of British Columbia in Education in 2002.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. Fu Lin** (付琳), aged 45, is an executive Director and the chief executive officer of our Company and was appointed to our Board on March 1, 2011. Mr. Fu is also a director of Tibet 5100, Glacier Water and Glacier Marketing. Mr. Fu joined our Group in January 2006. Mr. Fu has over 17 years of experience in business and capital operation and is responsible for the overall management, business and strategic planning of our Group. Mr. Fu joined our Group in 2006 as the chief executive officer of Glacier Water. Prior to joining Glacier Water, Mr. Fu worked in Everbright Securities Co., Ltd (光大證券股份有限公司) from 1996 to 2004 during which, he was the vice president from 1998 to 2004. From 1994 to 1996, he worked at one of the founding shareholders of Everbright Securities Co., Ltd. Mr. Fu worked at Chinese Academy of Social Sciences (中國社會科學院) as an assistant researcher from 1990 to 1994. Mr. Fu graduated from Peking University (北京大學) with a bachelor degree in Economics in 1987. Mr. Fu graduated from Graduates School of Chinese Academy of Social Sciences with a master degree in Economics in 1990; he also attended an advanced management program at Harvard Business School in 2003, which lasted for about eight weeks and focused on skills to lead an organization.

**Mr. Yue Zhiqiang** (岳志強), aged 46, is an executive Director of our Company and was appointed to our Board on March 1, 2011. Mr. Yue joined our Group in September 2005. Mr. Yue has over 23 years of experience in mechanical engineering and manufacturing plant operation, and is the general manager of Glacier Water. From 2000 to 2010, Mr. Yue had been a deputy general manager of Tibet Galaxy from June 30, 2003 to January 12, 2010, a director from December 26, 2005 to January 12, 2010 and vice-chairman from January 11, 2006 to January 12, 2010. Mr. Yue resigned from these positions in January 2010. Mr. Yue has also served as the general manager of Lhasa Brewery from October 8, 2000 to December 15, 2010. He worked as a technician in Qingdao Machine Tool Factory (青島機床廠) since 1987, and was the chief engineer and assistant plant manager from 1992 to 1998. Mr. Yue studied at Shandong University of Technology (山東工業大學) (now combined into Shandong University (山東大學)) for machinery production from 1983 to 1987 and obtained a bachelor's degree in 1987.

With the consent of his then employer, Mr. Yue has since 2005 been assisting the Group in various important areas of work such as liaising and communicating with local government departments in Tibet. To facilitate Mr. Yue in carrying out the work, Mr. Yue was given titles as an officer of the Group.

**Ms. Mou Chunhua** (牟春華), aged 47, is an executive Director of our Company and was appointed to our Board on March 1, 2011. Ms. Mou joined our Group in October 2005. Ms. Mou has over 13 years of experience in business management, investment, merger and acquisition and financial management. She is primarily responsible for our Group's management, business development, strategic planning and major decision making. From 2007 to 2009, Ms. Mou was employed as the chief financial officer and director at Lhasa Brewery. From 1997 to 2007, she was employed by Tibet Galaxy, working as the director and vice general manager since 1998 and as secretary to the board of directors since 1997. Ms. Mou resigned from the above positions in January 2007. From 1994 to 1997, Ms. Mou worked as an assistant to the chairman at Tibet Guangda. Ms. Mou graduated from Southwest Jiaotong University (西南交通大學) with a master degree in Transportation Management Engineering in 1990.



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## DIRECTORS AND SENIOR MANAGEMENT

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With the consent of her then employers, Ms. Mou has since 2005 been assisting the Group on the mainland in various financial works as well as liaising and communicating with government departments. To facilitate Ms. Mou in carrying out the work, Ms. Mou was given titles as an officer of the Group.

**Mr. Liu Chen** (劉晨), aged 27, is an executive Director of our Company and was appointed to our Board on March 1, 2011. Mr. Liu joined our Group as the secretary to the Board of Directors in April 2010. Prior to joining our Group, Mr Liu worked as an accounting assistant at Sharon Wong Professional Corporation from 2006 to 2007. From 2004 to 2006, Mr. Liu worked as a legal assistant on part time basis at Sun & Partners Professional Corporation. During these three years, Mr. Liu has gained experience in the areas of law and accounting. Mr. Liu graduated from York University, Canada, with a bachelor of arts degree in 2006, Mr. Liu also studied full-time at McMaster University, Canada from 2007 to 2009, and obtained a master degree in business administration in 2009.

### Non-Executive Director

**Ms. Jiang Xiaohong** (姜曉虹), aged 53, is a non-executive Director and was appointed to our Board on March 1, 2011. Ms. Jiang is also the vice general manager of Glacier Water and is responsible for the operation, quality control, equipments, and production site management. Ms. Jiang joined our Group in March 2007. She has 23 years of experience in operational management. She joined the Xinjiang Beer Plant (新疆啤酒廠) in December 1977 as laboratory technician and was promoted to head of laboratory in 1981. In 1984, Ms Jiang was transferred to the department of technology and was promoted as deputy head of brewery production lines in 1985. Ms. Jiang was promoted to the head of brewery production lines in 1989, the head of quality control department in 1990, assistant head of production in 1996, deputy general manager of Xinjiang Beer (Group) Company Limited (新疆啤酒(集團)有限責任公司) in 1998 and the assistant to the general manager of Xinjiang Beer Industrial Co., Ltd. (新疆啤酒產業總公司) and the general manager of a group company in 2004. Ms. Jiang has also received awards for her achievements, including the award for technological advancement (second runner up (三等獎)) granted by the Xinjiang Autonomous Region in 1986, the award for role model of workers of Xinjiang Autonomous Region in 1990 and the individual with advanced quality control management in 1996 and 2004. She graduated from Xinjiang Vocational University (新疆職工大學) with a diploma of economic management in 1996, then from Jiangnan University (江南大學) (formerly known as Wuxi University of Light Industry (無錫輕工大學)) with a diploma of brewery engineering in 2002, and from Xinjiang University (新疆大學) with diploma of analytical chemistry in 1998.

### Independent Non-Executive Directors

**Mr. Jesper Bjoern Madsen** (麥奕鵬), aged 57, joined our Group and was appointed as an independent non-executive Director of our Company on March 1, 2011. He is the chairman of the nomination committee and also a member of the audit committee and remuneration committee of our Company.

Mr. Madsen has been working with the Carlsberg A/S Group for 23 years, beginning his career as a personal assistant to the chief executive officer of Carlsberg International. Mr. Madsen subsequently held positions as the vice president responsible for overseas investments and markets,

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## DIRECTORS AND SENIOR MANAGEMENT

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general manager and managing director of Carlsberg Brewery Hong Kong Ltd and Chief Operating Officer of Carlsberg Asia Pte Ltd. From 2003 to 2009 Mr. Madsen was the senior vice president of Carlsberg Breweries A/S with responsibility for Asia, among other markets. Mr. Madsen was during this period also a non-executive chairman, non-executive vice chairman or non-executive director in a number of Carlsberg subsidiaries in Asia.

Mr. Madsen obtained a master degree in law from Copenhagen University, Denmark and later studied Scottish/English law at the University of Edinburgh, Scotland.

**Mr. Lee Kong Wai, Conway** (李港衛), aged 56, joined our Group and was appointed as an independent non-executive Director of our Company on March 1, 2011. He is the chairman of the remuneration committee and also a member of the audit committee and nomination committee of our Company. Mr. Lee currently also serves as an independent non-executive director of the following companies:

<u>Name of Listed Company</u>	<u>Stock Code</u>	<u>Place of Listing</u>	<u>Date of Appointment</u>
China Taiping Insurance Holdings Company Limited (中國太平保險控股公司)	966	Main Board of Hong Kong Stock Exchange	October 2009
Chaowei Power Holdings Limited (超威動力控股有限公司)	951	Main Board of Hong Kong Stock Exchange	July 2010
West China Cement Limited (中國西部水泥有限公司)	2233	Main Board of Hong Kong Stock Exchange	August 2010
China Modern Dairy Holdings Ltd. (中國現代牧業控股有限公司)	1117	Main Board of Hong Kong Stock Exchange	November 2010
GOME Electrical Appliances Holdings Limited (國美電器控股有限公司)	493	Main Board of Hong Kong Stock Exchange	March 2011
Sino Vanadium Inc.	SVX	TSX Venture Exchange in Canada	October 2009

Mr. Lee served as a partner of Ernst & Young over the past 29 years and held key leadership positions in the development of such firm in China. Mr. Lee is a member of the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants in Australia, the Association of Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Macau Society of Certified Practising Accountants. Mr. Lee was appointed as a member of the CPPCC of Hunan Province (湖南省政協委員) in China since 2007.

Mr. Lee received a Bachelor of Arts degree in Business Studies from Kingston University (formerly known as Kingston Polytechnic) in London in July 1980 and further obtained his postgraduate diploma in business from Curtin University of Technology in Australia in February 1988.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. Wei Cheng, Kevin** (蔚成), aged 43, joined our Group and was appointed as an independent non-executive Director of our Company on March 1, 2011. He is the chairman of the audit committee and also a member of the remuneration committee and nomination committee of our Company. Mr. Wei serves as the chief financial officer of IFM Investments Limited (stock code: CTC), a NYSE listed real estate services company headquartered in Beijing, since December 2007. He has also served as a director of IFM Investments Limited since November 2008. From 2006 to 2007, Mr. Wei served as the chief financial officer of Solarfun Power Holdings Co., Limited (stock code: SOLF), a NASDAQ listed solar company. From 2005 to 2006, Mr. Wei was the chief financial officer of an on-line advertising agency in China. Mr. Wei was the head of internal audit of LG Philips Displays International Ltd. headquartered in Hong Kong from 2003 to 2005, where he was responsible for managing global internal audit coverage and risk management. From 1999 to 2003, he was Asia Pacific regional corporate audit manager with Altria Corporate Services Inc., including one year at Nabisco Inc. prior to its acquisition by Kraft Foods. From 1991 to 1999, Mr. Wei worked with KPMG LLP and Deloitte Touche LLP in various audit, consulting, and merger and acquisition managerial roles in both the U.S. and China. Mr. Wei graduated in 1991 from Central Washington University in the U.S., where he received his bachelor of science degree (cum laude) with a double major in accounting and business administration. He is also a member of American Institute of Certified Public Accountant.

Save as disclosed in this prospectus, each of our Directors has confirmed that there is no other information in relation to his or her appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

### SENIOR MANAGEMENT

The table below sets forth information regarding our senior management:

Name	Age	Position/Title
Mr. Lee Kai Leung (李啟良) . . . . .	44	Chief Financial Officer
Mr. Chow Wai Kit (周偉傑) . . . . .	43	Company Secretary
Mr. Li Lianghong (李良紅) . . . . .	41	General Manager for Sales

**Mr. Lee Kai Leung** (李啟良), aged 44, is the chief financial officer of our Company and is responsible for the overall financial and accounting affairs of our Group. Mr. Lee joined our Group in December 2010. Mr. Lee worked as the group financial controller of China Western Region of Carlsberg Brewery Hong Kong Ltd since 2008. From 2005 to 2007, Mr. Lee worked as the deputy financial controller of the Lanzhou (蘭州) operation unit of Carlsberg Brewery Hong Kong Ltd. and also the financial controller of Tibet Lhasa Brewery Co., Ltd (西藏拉薩啤酒有限公司) in 2007. Prior to this, Mr. Lee worked as the financial controller at Changzhou Lanling Electrical Group Co., Ltd. (常州蘭陵電器集團有限公司) from 2001 to 2002 and at Switchgear & Instrumentation Ltd, the foreign investor of a subsidiary of Changzhou Lanling Electrical Group Co., Ltd. (常州蘭陵電器集團有限公司) in 2003. From 1999 to 2001, Mr. Lee was the general manager of the finance and administration department at TNT Logistics. From 1991 to 1998, Mr. Lee was an auditor at Ernst & Young and was an audit manager for two years. Mr. Lee is a fellow member of the Association of Chartered Certified

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## DIRECTORS AND SENIOR MANAGEMENT

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Accountants and the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. Mr. Lee graduated from the Hong Kong Polytechnic with a bachelor degree in business studies in 1991 and later obtained an executive master of business administration from Washington University in Saint Louis, USA in 2003.

**Mr. Chow Wai Kit** (周偉傑), aged 43, is our company secretary and authorised representative. He joined our Group in February 2011 and was appointed as company secretary on March 1, 2011 and as authorised representative on June 14, 2011. Mr. Chow is responsible for overseeing the company secretarial and corporate governance affairs of the Group. He has over twenty years of experience in corporate management, finance and accounting. Prior to joining our Group, Mr. Chow was the project manager of Top Ease (H.K.) Limited, a wholly-owned subsidiary of Sociedade de Turismo e Diversões de Macau, S.A from 2008 to 2011. Prior to this, Mr. Chow was a key financial officer of various listed companies for over seven years. From 2005 to 2007, he was the qualified accountant of Guangzhou Investment Company Limited (Stock Code: 123, subsequently renamed as Yuexiu Property Company Limited). From 2003 to 2004, he was the deputy general manager of Oriental Investment Corporation Limited (Stock Code: 735, subsequently renamed as China Power New Energy Development Company Limited). From 2001 to 2002, he was the group financial controller and company secretary of International Capital Network Holdings Limited (Stock Code: 8004). Prior to Mr. Chow's career in financial management, he worked in the accounting profession at Deloitte Touche Tohmatsu in Hong Kong from 1990 to 2000. Mr. Chow is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, he is also an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Mr. Chow obtained a master degree in finance from the Royal Melbourne Institute of Technology University in 1999 and a professional diploma in company secretaryship and administration from the Hong Kong Polytechnic in 1990. Mr. Chow is also our deputy chief financial officer and assisting the financial and accounting affairs of the Group.

**Mr. Li Lianghong** (李良紅), aged 41, is the General Manager of Glacier Marketing and joined our Group in January 2011, and is responsible for the sale, marketing and management of Glacier Marketing. Mr. Li has over ten years of experience in sales management and marketing. From 2009 to 2010, Mr. Li was the general manager of Water Co. and worked closely with our Company in developing retail distribution channel in China. From 2007 to 2009, Mr. Li worked as the sales manager for Sichuan Province at Yihai Kerry Foodstuffs Marketing Co., Ltd (益海嘉里食品營銷有限公司), the sales management company of the Wilmar in the PRC. From 2001 to 2006, Mr. Li worked at Kerry Oil & Grains Co. Ltd. (嘉里糧油公司), which is the marketing and sales company of Kerry Group Limited in the PRC; during his employment he was seconded to the PSB International Management Academy to receive advanced management training. Mr. Li graduated from Sichuan International Studies University (四川外語學院) in 1992.

Save as disclosed, none of the above persons has any directorship in any listed companies in the last three years, and none of them has any family relationship with the Directors and the Controlling Shareholder

### COMPANY SECRETARY

We have appointed Mr. Chow Wai Kit, as our company secretary for the purposes of Rule 8.17 of the Listing Rules, whose brief biographic details are set out above in the paragraph headed "Senior Management".

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## DIRECTORS AND SENIOR MANAGEMENT

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### BOARD COMMITTEES

#### Audit committee

Our Company established an audit committee on June 14, 2011 with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of our Group. The audit committee comprises Mr. Wei Cheng, Kevin, Mr. Lee Kong Wai, Conway and Mr. Jesper Bjoern Madsen all being the independent non-executive Directors. Mr. Wei Cheng, Kevin is the chairman of the audit committee.

#### Remuneration committee

Our Company established a remuneration committee on June 14, 2011 with written terms of reference in compliance with the code provisions of the Code of Corporate Governance Practices set out in Appendix 14 to the Listing Rules. The functions of this committee include the formulation and the recommendation to the Board on our Company's policy and structures for all remuneration of our Directors and senior management of our Company, the establishment of a formal and transparent procedure for developing policy on remuneration, the determination of specific remuneration packages of all executive Directors and senior management in the manner specified in the terms of reference, the recommendation to the Board of the remuneration of non-executive Directors, review and approval of performance-based remuneration, and review and recommendation to our Shareholders as to the fairness and reasonableness of the terms of any Director's service agreement which is subject to the prior approval of our Shareholders in general meeting pursuant to the Listing Rules. The remuneration committee comprises Mr. Lee Kong Wai, Conway, Mr. Wei Cheng, Kevin and Mr. Jesper Bjoern Madsen all being the independent non-executive Directors and Mr. Yu and Mr. Fu Lin both being executive Directors. Mr. Lee Kong Wai, Conway is the chairman of the remuneration committee.

#### Nomination committee

Our Company established a nomination committee on June 14, 2011. The primary functions of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board. The nomination committee comprises Mr. Jesper Bjoern Madsen, Mr. Wei Cheng, Kevin and Mr. Lee Kong Wai, Conway, all being the independent non-executive Directors and Mr. Yu and Mr. Fu Lin both being executive Directors. Mr. Jesper Bjoern Madsen is the chairman of the nomination committee.

### COMPENSATION OF DIRECTORS' REMUNERATION

We reimburse our Directors for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. The executive Directors are also our employees and receive, in their capacity as our employees, compensation in the form of salaries and discretionary bonuses.

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## DIRECTORS AND SENIOR MANAGEMENT

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For each of the three years ended December 31, 2008, 2009 and 2010, the aggregate amount of remuneration (including benefits in kind) paid by us to our Directors was approximately RMB3 million, RMB 3 million and RMB 3 million respectively.

No remuneration was paid by our Company to the Directors or the five highest paid individuals, also being our Directors, as an inducement to join or upon joining our Company or as a compensation for loss of office in respect of each of the three years ended December 31, 2008, 2009 and 2010. Further, none of our Directors had waived any remuneration during the same period.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonuses, payable to our Directors for the financial year ending December 31, 2011 shall be no more than approximately HK\$6,300,000.

Each of our executive Directors has entered into a service contract with our Company and our Company has also entered into letters of appointment with each of our non-executive Directors and independent non-executive Directors. Further details of the terms of the above service contracts and letters of appointment are set out in “Statutory and General Information - Further Information about Our Directors and Substantial Shareholders — Particulars of Directors’ service contracts” as Appendix VI to this prospectus.

During the Track Record Period, there were several resignations of directors in our Group companies, namely Tibet 5100, Tibet Zhongji, Glacier Water and Glacier Marketing. None of the resigned directors has had any disagreements with our Group.

### COMPLIANCE ADVISOR

Our Company expects to appoint Celestial Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise our Company in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be of a notifiable or connected transaction, is contemplated including but not limited to share issues and share repurchase;
- (iii) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, development or results of operation of our Group deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an enquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The term of the appointment will commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules, in respect of its financial results for the first full financial year commencing after the Listing Date, and such appointment may be subject to extension by mutual agreement.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering and the Capitalization Issue (taking no account of any Shares which fall to be sold pursuant to the exercise of the Over-allotment Option), as at the Latest Practicable Date, the following persons (other than our Directors, chief executive(s) or members of our Group) were expected to have interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name	Capacity/Nature of Interest	Number of Shares held (assuming the Over-allotment Option is not exercised)	Approximate percentage of interest in our Company (assuming the Over-allotment Option is not exercised)	Number of Shares held (assuming the Over-allotment Option is fully exercised)	Approximate percentage of interest in our Company (assuming the Over-allotment Option is fully exercised)
Water Resources <sup>(1)</sup>	Beneficial owner	1,310,137,000	52.41%	1,310,137,000	51.00%
Maple Essence <sup>(1)</sup>	Interest of controlled corporation	1,310,137,000	52.41%	1,310,137,000	51.00%
True Asset <sup>(1)</sup>	Interest of controlled corporation	1,310,137,000	52.41%	1,310,137,000	51.00%
Mr. Wang <sup>(1)</sup>	Interest of controlled corporation	1,310,137,000	52.41%	1,310,137,000	51.00%
Ye Shunjian <sup>(2)</sup>	Interest of a controlled corporation	236,722,000	9.47%	236,722,000	9.21%
Raventon <sup>(2)</sup>	Beneficial owner	236,722,000	9.47%	236,722,000	9.21%
CCBI <sup>(3)</sup>	Interest of a controlled corporation	163,257,000	6.53%	163,257,000	6.36%
CCB International Asset Management (Cayman) Limited <sup>(3)</sup>	Interest of a controlled corporation	163,257,000	6.53%	163,257,000	6.36%
CCB International Asset Management Limited <sup>(3)</sup>	Interest of a controlled corporation	163,257,000	6.53%	163,257,000	6.36%
Bai Jun <sup>(3)</sup>	Beneficial owner	163,257,000	6.53%	163,257,000	6.36%

*Notes:*

- (1) Water Resources is held as to 98.67% by Maple Essence, which is in turn held as to 90% by True Asset. True Asset is wholly owned by Mr. Wang, therefore Mr. Wang is deemed to be interested in the 1,310,137,000 Shares held by Water Resources upon Listing.
- (2) Raventon is owned as to 85% by Ye Shunjian.
- (3) Bai Jun is an indirect wholly-owned subsidiary of CCB International Asset Management Limited, which is wholly owned by CCB International Asset Management (Cayman) Limited, and CCB International Asset Management (Cayman) Limited is in turn wholly owned by CCBI. Therefore, all of CCBI, CCB International Asset Management (Cayman) Limited and CCB International Asset Management Limited are deemed to be interested in all 163,257,000 Shares held by Bai Jun upon Listing.

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## SUBSTANTIAL SHAREHOLDERS

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In pursuance of the pre-IPO sales and purchases, the pre-IPO Investors are entitled to certain put option rights. For details, please refer to the section headed “History and Corporate Structure” in this prospectus. In particular, Bai Jun, Raventon, Highland Broadview, Big Linkage and Fantastic World are, subject to the conditions in the second and/or the third put options, entitled to put their Shares to Green Highland, whereas Victory Ride, Heartland Capital and Maotai are, subject to the conditions in the second and/or the third put options, entitled to put their Shares to Water Resources, before end July 2012. If all the said investors shall exercise their second and/or third put option rights, Green Highland and Water Resources will have to take up a maximum of 510,177,000 Shares and 220,396,000 Shares in our Company respectively taking no account of any Shares which may be issued pursuant to the Over-allotment Option and on the assumption that the Company shall not issue any new shares, or sub-divide, consolidate or cancel its Shares, from the Listing to the date when the second or third option shall be exercised.

Save as disclosed herein, we are not aware of any other person who will, immediately following completion of the Global Offering and the Capitalization Issue (taking no account of any Shares which fall to be sold pursuant to the exercise of the Over-allotment Option), have an interest or short position in our Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any of our subsidiaries. We are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.



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## CORNERSTONE INVESTORS

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### THE CORNERSTONE PLACING

We have entered into cornerstone placing agreements with cornerstone investors (the “**Cornerstone Investors**” and each a “**Cornerstone Investor**”) who have agreed to subscribe for an aggregate of US\$60.0 million (at the exchange rate of HK\$7.7862 to US\$1.00) worth of our Offer Shares at the Offer Price (collectively, the “**Cornerstone Placing**”). Assuming an Offer Price of HK\$3.06, being the mid-point of the Offer Price range set forth in this prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors will be approximately 152,670,000, representing approximately 6.11% of the total issued and outstanding share capital and 33.24% of the Offer Shares (assuming the Over-allotment Option is not exercised), respectively. Assuming an Offer Price of HK\$2.62, being the low end of the Offer Price range set forth in this prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors will be approximately 178,310,000, representing approximately 7.13% of the total issued and outstanding share capital and 38.82% of the Offer Shares (assuming the Over-allotment Option is not exercised), respectively. Assuming an Offer Price of HK\$3.50, being the high end of the Offer Price range set forth in this prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors will be approximately 133,478,000, representing approximately 5.34% of the total issued and outstanding share capital and 29.06% of the Offer Shares (assuming the Over-allotment Option is not exercised), respectively.

The Cornerstone Placing forms part of the International Placing. None of the Cornerstone Investors, nor their associates will purchase any Offer Shares under the Global Offering other than pursuant to the respective cornerstone investment agreement entered into with each of them or where the Cornerstone Investors or its associate is acting as a nominee for its third party customers. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue and will be counted towards the public float of the Company. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any representation on the Board. The Cornerstone Investors are unrelated to one another and each of them is an Independent Third Party. None will be a substantial shareholder of the Company upon Listing. Details of the allocations to the Cornerstone Investors will be disclosed in the announcement of results of allocations for the Hong Kong Public Offer to be published on or around June 29, 2011.

### OUR CORNERSTONE INVESTORS

We and the Joint Bookrunners have entered into cornerstone placing agreements with the following Cornerstone Investors in respect of the Cornerstone Placing. The information of the Cornerstone Investors has been provided by each of the relevant Cornerstone Investors in connection with the Cornerstone Placing.

#### **Fubon Life Insurance Co., Ltd (“Fubon Life Insurance”)**

Fubon Life Insurance has agreed to subscribe for such number of Shares (rounded to the nearest whole board lot of 1,000 Shares) which may be purchased with an aggregate amount of US\$30,000,000 (at the exchange rate of HK\$7.7862 to US\$1.00) at the Offer Price. Assuming an Offer Price of

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## CORNERSTONE INVESTORS

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HK\$3.06 (being the mid-point of the Offer Price range set forth in this prospectus), Fubon would subscribe for approximately 76,335,000 Shares, representing approximately 16.62% of the Offer Shares and approximately 3.05% of our total issued share capital immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Fubon Life Insurance is a wholly-owned subsidiary of Fubon Financial Holding Co., Ltd. (Stock Code: TW2881), a company incorporated in Taiwan whose shares are listed on the Taiwan Stock Exchange. Fubon Financial Holding Co., Ltd. has built a strong lineup of financial service companies. Its other subsidiaries include Taipei Fubon Commercial Bank Co., Ltd., Fubon Insurance Co., Ltd, Fubon Securities Co., Ltd, Fubon Bank (Hong Kong) Limited and Fubon Asset Management Co., Ltd. Fubon Financial Holding Co., Ltd is one of the largest publicly listed financial holding companies in Taiwan.

### **Profounders I Limited (“Profounders I”)**

Profounders I has agreed to subscribe for such number of Shares (rounded to the nearest whole board lot of 1,000 Shares) which may be purchased with an aggregate amount of US\$30,000,000 (at the exchange rate of HK\$7.7862 to US\$1.00) at the Offer Price. Assuming an Offer Price of HK\$3.06 (being the mid-point of the Offer Price range set forth in this prospectus), Profounders I would subscribe for approximately 76,335,000 Shares, representing approximately 16.62% of the Offer Shares and approximately 3.05% of our total issued share capital immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Profounders I is a company incorporated in the British Virgin Islands with limited liability and is a proprietary investment vehicle of Profounders Private Equity Fund, L.P., an exempted limited partnership registered in the Cayman Islands. Profounders Private Equity Fund, L.P. is a private equity fund which focuses on investments in selective high-growth companies in the PRC.

### **CONDITIONS**

The subscription obligation of each Cornerstone Investors is subject to, among other things, the following conditions precedent:

- (1) the Underwriting Agreements for each of the Hong Kong Public Offer and the International Placing being entered into;
- (2) each of the aforesaid Underwriting Agreements having become effective and unconditional with one of the conditions thereto being the Listing Committee of the Hong Kong Stock Exchange having granted a listing of, and permission to deal in, the Shares and not having been terminated in accordance with their respective provisions;
- (3) that no laws shall have been enacted or promulgated by any relevant government authority which prohibit, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of the closing under the respective cornerstone investment agreement; and

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## **CORNERSTONE INVESTORS**

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- (4) that the respective representations, warranties, undertakings and acknowledgments of the Cornerstone Investor and the Company in the cornerstone investment agreement are accurate and true in all material respects and not misleading and that there is no material breach of that agreement on the part of the Cornerstone Investor and the Company.

### **RESTRICTIONS ON DISPOSAL BY THE CORNERSTONE INVESTORS**

Each of the Cornerstone Investors has agreed that, without the prior written consent of the Company and the Joint Bookrunners, it will not, whether directly or indirectly, at any time during the period of six months from the Listing Date, dispose of any Shares subscribed for pursuant to the respective cornerstone placing agreements, nor will it agree or contract to, or publicly announce any intention to enter into any such disposal transaction. Each Cornerstone Investor may transfer the Shares so subscribed for in certain limited circumstances, such as transfer to a wholly-owned subsidiary of such Cornerstone Investor and any such transfer can only be made when the transferee agrees to be subject to the restrictions on disposal imposed on the Cornerstone Investor.

### **REALLOCATION**

The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offer in the event of over-subscription under the Hong Kong Public Offer as described in “Structure and Conditions of the Global Offering — The Hong Kong Public Offer”.

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## SHARE CAPITAL

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<b>Authorised capital</b>	<b>HK\$</b>
<u>100,000,000,000</u> Shares	<u>1,000,000,000</u>
<b>Shares Issued and to be issued, fully paid or credited as fully-paid</b>	
10,000 Shares in issue	100
2,040,700,000 Shares to be issued pursuant to the Capitalization Issue	20,407,000
<u>459,290,000</u> Shares to be issued pursuant to the Global Offering	<u>4,592,900</u>
<u>2,500,000,000</u> <b>Total:</b>	<u>25,000,000</u>

### Assumption

The above table assumes that the Global Offering becomes unconditional and does not take into account (a) any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or (b) any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors to allot and issue or repurchase Shares as referred to below. If the Over-allotment Option is exercised in full, then 68,893,000 additional Shares will be issued, resulting in a total enlarged issued share capital of HK\$25,688,930.

### Ranking

The Offer Shares and the Shares which may be issued pursuant to the Over-allotment Option rank pari passu with all existing Shares in issue on the date of allotment and issue of such shares, and in particular will be entitled to all dividends or other distributions declared, made or paid after the date of this prospectus.

### General mandate to issue Shares

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:-

- (a) 20% of the aggregate nominal amount of the share capital of our Company in issue, excluding the Shares which may be issued pursuant to the Over-allotment Option, immediately following completion of the Global Offering and the Capitalization Issue; and
- (b) the aggregate nominal amount of the share capital of our Company repurchased by our Company, if any, under the general mandate to repurchase Shares referred to below.

The allotment and issue of Shares under a rights issue, script dividend scheme or similar arrangement in accordance with the Articles of Association, or under the Global Offering do not generally require the approval of the Shareholders in general meeting and the aggregate nominal value of the Shares which our Directors are authorized to allot and issue under this mandate will not be reduced by the allotment and issue of such Shares.

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## SHARE CAPITAL

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This mandate will expire at the earliest of:

- the conclusion of our Company’s next annual general meeting;
- the expiration of the period within which our Company is required by law or its Articles of Association to hold its next annual general meeting; or
- when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to “Appendix VI — Statutory and General Information — Further Information about our Group — Written resolutions of the Shareholder of our Company passed on June 14, 2011.”

### **General Mandate to Repurchase Shares**

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue following the completion of the Global Offering and the Capitalization Issue (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option).

The mandate only relates to repurchases made on the Hong Kong Stock Exchange, or any other exchange on which the Shares are listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose), which are made in accordance with all applicable laws and requirements of the Listing Rules. Further information required by the Hong Kong Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in “Appendix VI- Statutory and General Information — Further Information about our Group — Repurchase by our Company of its own securities”

This mandate will expire at the earliest of:

- the conclusion of our Company’s next annual general meeting;
- the expiration of the period within which our Company is required by law or its Articles of Association to hold its next annual general meeting; or
- when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to “Appendix VI — Statutory and General Information — Further Information about our Group — Written resolutions of the Shareholder of our Company passed on June 14, 2011.”

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## FINANCIAL INFORMATION

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**You should read the following discussion and analysis of our financial condition and results of operations together with our Accountant's Report as of and for the three years ended December 31, 2008, 2009 and 2010, and the accompanying notes included in the Accountant's Report set out in Appendix I to this prospectus. The Accountant's Report has been prepared in accordance with IFRS.**

### OVERVIEW

We produce the leading brand in the fast-growing premium bottled mineral water market in China. Our brand, "5100 Tibet Glacier Spring Water", or "5100", ranked first in terms of sales volume in the premium market segment in 2010, with a market share of 28.5% in China, according to Euromonitor<sup>(1)</sup>. We established our leading market position by executing a growth strategy that focuses on penetrating institutional sales channels, an approach which distinguishes us from our competitors. Our institutional purchasers consist of rail transport operators, commercial banks, airlines, government organizations and other major corporations in China which tend to have a large base of middle to high income customers and significant bulk purchase demand for our product. Our success in executing this strategy has helped us rapidly gain market share, brand recognition and secure numerous blue-chip institutional purchasers under long-term contracts. We believe that a combination of our current leading market position, established brand, strong existing institutional relationships and ability to develop additional institutional relationships positions us well to capitalize on the fast-growing premium bottled mineral water market in China.

In 2007, we established a strategic relationship with CRE, which is controlled by the MOR and acts as its procurement agent. This relationship enabled us to become the supplier of bottled water to approximately 200 million passengers on high-speed and CRH trains in China since these trains began operations in 2008 to December 31, 2010. This also enabled our product to be distributed throughout the MOR's distribution network, comprising of retail outlets and restaurants in 131 train stations and 115 mid- to high-end hotels across China operated by the MOR and its affiliates, and on board trains that make approximately 2,800 train trips per day, as of December 31, 2010. In December 2010, we extended our contract with CRE for an additional three years to supply a specified volume of water at a fixed price per bottle each year. Our relationship with CRE provides us with a secure and fast-growing source of revenue, and has helped us gain brand recognition and market leadership in a relatively short period of time. Building on the experience of our highly successful relationship with CRE, we have entered into sales agreements with Air China, BP-PetroChina JV and China Post, and strategic cooperative agreements with CCBI and ICBCI Holdings. Like CRE, these institutional purchasers have significant bulk purchase demand for premium bottled water products mainly for distribution to their customers.

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(1) As defined by Euromonitor, premium bottled mineral water is characterized by a premium brand image and generally has a retail price of not less than RMB5 per 500 ml bottle. In 2010, retail sales volume and revenue of premium bottled mineral water represent 7.9% and 45.3% of the overall bottled mineral water market, according to Euromonitor.

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## FINANCIAL INFORMATION

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In addition to institutional sales channels, we are also actively developing traditional retail distribution channels. We have rapidly developed retail distribution networks to include a wide range of retail outlets, including hotels, bars and restaurants, supermarkets and convenience stores. As of December 31, 2010, the number of points of sale for our product totaled 2,875, excluding the points of sale within the MOR network. Our product is available at higher-end supermarket chains in China such as Walmart, Carrefour, Metro and Auchan, four and five star hotels, such as Shangri-la Hotels, and convenience store chains such as Lawson and Watsons. The continued development of our traditional retail sales channels will also be an important aspect of our growth strategy.

We have established an efficient logistics network to facilitate the nationwide delivery of our product and the transportation of raw materials to our production sites in a timely manner. As part of our strategic relationship with CRE, which is the largest land-based logistics services provider in terms of network coverage in China, we have entered into arrangements with CRE to provide us with integrated logistics solutions, and dedicated rail transportation capacity and storage centers that cover our four major sales regions. We have also established logistics arrangements with FedEx and China Post to achieve integrated and comprehensive coverage across China in order to provide nationwide delivery of our bottled water.

The PRC central government has in recent years implemented a series of policies to encourage investment in western China and Tibet. In addition, as a major enterprise based in Tibet and employer of Tibetans, we have gained strong support from the local government, including preferential tax treatments and government grants. We expect to continue to benefit such from preferential policies and government support in the future.

We have grown rapidly since our inception. In 2008, 2009 and 2010, we sold 34,417, 60,683 and 81,576 tonnes of bottled water, respectively. Our revenue has also increased significantly from RMB119.5 million in 2008 to RMB215.8 million in 2009 and to RMB360.5 million in 2010. We generated net profit of RMB11.9 million, RMB47.4 million and RMB115.2 million in 2008, 2009 and 2010, respectively, and our operating margin increased from 15.1% in 2008 to 25.4% in 2009 and to 37.4% in 2010.

### **BASIS OF PRESENTATION**

The Controlling Shareholder owned and controlled the companies now comprising the Group before the Reorganisation and continues to control them after the Reorganisation.

For the purposes of the Accountant's Report, the financial information of the Group has been prepared and presented on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants. The combined balance sheets, combined income statements, combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Period have been prepared using the financial information of the companies engaged in the Company's business, as if the current group structure had been in existence throughout the Track Record Period or since the respective dates of incorporation/establishment, whichever is the shorter period. The assets, liabilities and results of the Group have

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## FINANCIAL INFORMATION

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been combined using their existing book values. The transaction of the Company to acquire Tibet 5100 and its subsidiaries is a reorganisation in nature which has not resulted in any changes in the substance of the Company's business or the control over Tibet 5100 and its subsidiaries by the Controlling Shareholder.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on combination.

### **FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

We believe the most significant factors that directly or indirectly affect our financial performance and results of operations include the following:

#### **Our Ability to Maintain and Further Develop Our Strategic Relationship with CRE**

An increase in sales to the MOR network through our strategic relationship with CRE has been the principal driver of the growth in our revenue in 2008, 2009 and 2010. In 2008, 2009 and 2010, sales to CRE accounted for approximately 76.8%, 81.0% and 80.5%, respectively, of our revenue. CRE purchases bottled water from us for consumption on board high-speed and CRH trains and also for distribution and resale through the MOR network. In addition, our bottled water is also used by the MOR for its own consumption needs. Pursuant to our current contract with CRE, we are obligated to provide one bottle of water free-of-charge to each ticketed passenger on high-speed trains, inter-provincial CRH trains and certain other CRH trains including the Guangzhou-Shenzhen Railroad, and for each complimentary bottle of water provided, CRE is obligated to purchase one bottle from us. In addition, CRE may purchase additional bottled water from us to meet its own consumption needs. On December 20, 2010, we extended our contract with CRE to specify a specified volume of water for a period of three years beginning on January 1, 2011, which represents a significant increase from the volume we sold to CRE in 2010, at the same price per bottle as the price set forth in the August 2008 contract that we signed with CRE. As the number of high-speed and CRH trains and the number of passengers on these trains continue to increase, we believe our strategic partnership with CRE provides us with a stable and increasing revenue stream.

#### **Our Ability to Maintain and Further Develop Our Strategic Relationships with Institutional Purchasers**

In addition to CRE, we have also entered into sales agreements with Air China, BP-PetroChina JV and China Post, and strategic cooperative agreements with CCBI and ICBCI Holdings since 2010. Our ability to develop strategic relationships with and attract new institutional purchasers will affect our operating margins, as in general, the average wholesale prices to other institutional clients are higher than the special pricing we extend to CRE due to our extensive strategic relationship. We anticipate that sales to our institutional purchasers and through the distribution networks of our institutional purchasers will continue to account for the vast majority of our total revenue for the near future. Our ability to maintain and further develop strategic relationships with institutional purchasers will affect our business and results of operations. By giving our institutional purchasers the option to



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## FINANCIAL INFORMATION

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distribute our bottled water in the form of bottles or water cards, we have enabled our institutional clients to establish more retail points of sale in non-traditional venues, such as inside commercial banks or mobile phone stores. Our success in establishing these non-traditional sales channels together with our institutional clients will affect the growth of our business and results of operations.

### **Pricing of Our Product**

We have developed and built our “5100” brand by focusing on the uniqueness of our glacial spring mineral water, which is sourced from 5,100 meters above sea level, and to convey the image of purity in our product. We believe that our success in establishing 5100 Tibet Glacier Spring Water as a premium brand of bottled water in China affords us higher barriers to entry compared to the mass market segments and enables us to set the retail prices of our bottled water in line with premium international brands, which in turn contributes to our ability to achieve higher wholesale prices and margins compared to mass market brands of bottled water in China. Our premium brand has also helped us broaden our institutional purchasers base, as many institutional purchasers want to associate their brand names with other premium products to cater to the targeted market. Although we only began operations in 2006, our “5100” brand has quickly gained recognition from the PRC government and by many institutional purchasers in China as a premium brand of bottled mineral water. As the market in China for premium bottled mineral water continues to grow, we believe our established brand name combined with our well-known strategic relationships will also help support retail demand for premium bottled mineral water.

We set the wholesale prices of our bottled water to each customer on an individual basis based on a combination of different factors, including our marketing strategy, the cost of raw materials, our relationship with our distributors, the volume purchased, the general market demand, and competition. In addition, the average wholesale prices of our bottled mineral water vary depending on the sales channel. In general, sales made to or through our large institutional purchasers have lower average wholesale prices compared to sales made through our retail distributors, as the discounts for our institutional purchasers are usually correlated with the volume purchased. In addition, the average wholesale price of our bottled mineral water sold to CRE are lower than the average wholesale prices to our other institutional purchasers due to our strategic relationship with CRE. Overall, the average wholesale prices (expressed in RMB per tonne) for our bottled mineral water increased marginally from 2008 to 2009 and to 2010. Our ability to set the wholesale prices of our bottled mineral water competitively will affect our results of operations.

### **Cost of Raw Materials**

The raw materials and consumables we use in our production, primarily consist of PET granules PET bottle preforms used in the production of our bottles and packaging materials, such as cartons. For the years ended December 31, 2008, 2009 and 2010, raw materials accounted for 80.9%, 72.1% and 70.4% of our total cost of sales, respectively.

Our contracts for PET granules consist of a master contract that outlines the estimated quantity, delivery details, payment details and other standard terms, but the price of the PET is not fixed and determined by the market spot price. Since PET is produced from petroleum, the price of PET is subject to a high degree of price volatility caused by external conditions that affect the market price

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## FINANCIAL INFORMATION

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of oil. In general, the average price of oil was higher in 2008 compared to 2009, and as a result, our average price paid for PET granules decreased in 2009. The average price of oil increased in 2010 compared to 2009, so our average price paid for PET granules increased as well. In addition, since 2009, we have produced an increasingly greater portion of the PET bottle preforms internally and beginning in 2010, we produced substantially most of the PET bottle preforms internally. Our greater degree of vertical integration also contributed to the relative decrease in the cost of raw materials as a percentage of our total cost of sales during the Track Record Period.

Our contracts for packaging materials normally consist of a master contract that outlines the type of packaging materials required, estimated purchase quantity, delivery details and other standard conditions, such as insurance and warranties; and a price list that specifies an indicative price applicable through the entire contract period. The prices we pay for our packaging materials are influenced by factors such as fluctuations in seasonal production, the availability of alternative suppliers and substitute materials, the number of different types of packaging we use at any particular time and the frequency with which we change the packaging we use.

While we seek to manage the rise in raw material prices by centralizing our procurement of raw materials for all production facilities to maximize our bargaining power with suppliers, we anticipate that the price of PET granules will continue to be determined by the market spot price at the time of delivery. As a result, the cost of our raw materials will be affected by external factors. If the cost of our raw materials increases, we might not be able to pass along the increase to our customers by increasing the average sales price, and as a result, our gross margins may decline, which would have a material adverse effect on our business and results of operations. We anticipate that the cost of PET granules and our degree of vertical integration will be the primary factors affect our raw material costs in future periods , and we estimate that in 2011, a 10% increase in PET price will reduce our profit attributable to equity holders by RMB9,442,000, or 2.5%.

### Taxation and Government Grants

During the years ended December 31, 2008, 2009 and 2010, we were primarily subject to taxation in the PRC. For the years ended December 31, 2008, 2009 and 2010, our effective tax rate on a combined basis was 8.1%, 6.8% and 13.2%, respectively.

Under the EIT Law and its implementation rules that became effective on January 1, 2008, enterprises are typically subject to a united tax rate of 25%.

Details of the tax treatment of our four major operating subsidiaries are as follows:

<u>Name of company</u>	<u>Tax treatment</u>
Tibet Zhongji . . . . .	As an foreign invested enterprise established prior January 1, 2008 in Tibet, it is subject to a preferential income tax rate of 10%, 12%, 15% for 2008, 2009 and 2010, respectively under the Notice of Tibet Autonomous Region regarding the Adjustment of Enterprise Income Tax Rate <西藏自治區人民政府關於調整企業所得稅稅率的通知> (Zang Zheng Fa [2008] No.78) (the “Tibet Special EIT Policy”).

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## FINANCIAL INFORMATION

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Name of company	Tax treatment
Glacier Water . . . . .	Under the Tibet Special EIT Policy, foreign invested enterprises established before January 1, 2008 in Tibet are entitled to a preferential income tax rate of 10%, 12% and 15% in 2008, 2009 and 2010, respectively. The tax rate for this entity was further reduced by the preferential tax policy granted under the then effective laws for foreign invested enterprises primarily engaged in manufacturing activities scheduled to operate for not less than ten years in the PRC, which granted such entity a tax exemption for the first two years where profit is made followed by a 50% deduction in the applicable tax rate for the next three years. The combination of these preferential tax policies resulted in a tax rate of 5.0%, 6.0% and 7.5% in 2008, 2009 and 2010, respectively, for this entity.
Glacier Marketing . . . . .	As an entity incorporated in Tibet, it is subject to a preferential income tax rate of 15% in 2010 under Tibet Special EIT Policy.
5100 Club . . . . .	This entity is subject to the standard EIT tax rate of 25% for each of 2008, 2009 and 2010.

No provision for Hong Kong profits tax has been made as we had no assessable profits arising in or derived from Hong Kong during 2008, 2009 and 2010.

### Government Grants

As we are located in the Tibet Autonomous Region, we enjoy government grants from time to time. The amounts of grants we received from the government in the Tibet Autonomous Region were made largely with reference to our fiscal contribution to the local economic development.

In 2008, 2009 and 2010, we received grants from the government in the Tibet Autonomous Region as other income in the amount of RMB0.002 million, RMB2.5 million and RMB2.5 million, respectively, which amounted to 0.02%, 4.9% and 1.9% of our profit before income tax in the respective periods.

In order to encourage the expansion of the bottled water industry in Tibet, as well as to develop the economy of Tibet, the government in the Tibet Autonomous Region granted us a subsidy income amounting to RMB11.6 million in 2010 to compensate our efforts to increase our production capacity. Such amount was recorded as deferred income and will be credited to our combined income statement over the estimated useful lives of the related assets.

Glacier Marketing, our indirect wholly-owned subsidiary established in the Tibet Lhasa Economic and Technology Development Zone entered into the Governmental Grant Agreement in May 2010, under which Glacier Marketing is granted with the enterprise development rewards, which are

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## FINANCIAL INFORMATION

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calculated with reference to Glacier Marketing's fiscal contribution to the local government in Tibet. Based on the relevant rules in Tibet, enterprises that operate in Tibet and make fiscal contributions to the local government are eligible for applying for such governmental grants. Subject to the approval by the local government, Glacier Marketing may renew the Governmental Grant Agreement and continue to enjoy such governmental grants after the current Governmental Grant Agreement expires in 2020.

We estimate that, on the basis described in "Appendix III — Profit Forecast" to this prospectus, we will receive a total government grant of RMB142.3 million in 2011, which is expected to amount to approximately 32.6% of our forecasted net profit in 2011 after taking into account the income tax effect on the government grant.

### **Seasonality**

Our sales are subject to seasonality. We typically experience higher sales of our bottled mineral water, which is consumed primarily to quench thirst, in the second and third quarters of the year when the weather is hotter and drier in China than the first and fourth quarters of each year. In addition, substantially all of our revenue from our sales to and through the CRE network is recognized from May to November of each year. In general, our revenue in January and February of each year is usually the lowest two months of the year because our shipments of water from Tibet are limited by the cold weather conditions and Chinese New Year holidays. Since most of our water cards sold during the Track Record Period expire at the end of 2010 and we only recognize revenue when such card is redeemed or expires, we have recognized a significant portion of such revenues from redemption or expiration of water cards in the fourth quarter of 2010. Sales can also fluctuate during the course of the year for other reasons, including weather conditions, timing of launch of new products, and the timing of advertising and promotional campaigns. As a result of seasonal fluctuations, comparisons of sales and operating results between different periods within a single year, or between different periods in different years, are not necessarily meaningful and should not be relied on as indicators of our performance.

### **General Economic Conditions in China**

We derive all of our revenue from the sales of our bottled mineral water in China during the years ended December 31, 2008, 2009 and 2010. Demand for luxury and premium products, such as our premium bottled mineral water, is affected by the general economic conditions in China and the growth of disposable income. As a result of the strong economic growth, China has experienced an ongoing urbanization process and a significant increase in the spending power of consumers. We expect the demand for premium bottled mineral water to be even more susceptible to fluctuations in the general economic conditions in China compared to mass market brands of bottled water. The growing high-income population in China has exhibited strong demand for luxury goods, including premium bottled mineral water.

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## FINANCIAL INFORMATION

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In addition, the urbanization rate will also affect demand for our premium bottled mineral water, as urban centers have wealthier populations that exhibit higher demand for pre-packaged food items, such as bottled water, compared to more rural areas. Many industry experts have noted that premium bottled mineral water is primarily consumed in megacities such as Beijing, Shanghai, Guangzhou and other major capital cities, where inhabitants have stronger purchasing power and a large number of premium consuming sites are located. A continued increase in urbanization and urban disposable income thus carries with it the increasing affordability of premium bottled mineral water to urban consumers. As urbanization increases, we expect demand for premium products, including our bottled mineral water, to increase. However, if China's economy slows down, the demand for our premium bottled water may decrease, which would materially and adversely affect our business and results of operations.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our financial statements requires us to make difficult, complex and subjective judgments in making the appropriate estimates and assumptions that affect the amounts reported in our financial statements. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, terms of existing contracts, our observance of trends in the industry, information provided by our customers and information available from outside sources, as appropriate. There can be no assurance that our judgments will prove correct or that actual results reported in future periods will not differ from our expectations reflected in our accounting treatment of certain items. We believe that the following critical accounting policies involve the most significant judgments and estimates used in the preparation of our combined financial statements.

#### Revenue recognition

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

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

##### (a) *Sales of goods — wholesale and retail*

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

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## FINANCIAL INFORMATION

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The Group enters into “get one free - buy one” sales agreement with CRE. Pursuant to such agreement, when the Group sells one bottle mineral water to the distributor, the distributor is entitled to receive another one for free. The fair value of the consideration received is equally allocated between the deliveries of the two bottles. The consideration allocated to the free bottle of water is recognised as deferred revenue. Upon delivery of the free bottle to the CRE, the corresponding revenue is recognised and the deferred revenue of the free bottle is derecognised accordingly.

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

### (b) *Interest income*

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

### (c) *Dividend income*

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

### **Depreciation and amortisation**

The Group’s management determines the residual value, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where residual value or useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. The current estimated useful lives are stated in Note 3.6 of the Accountant’s Report.

### **Income taxes**

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated

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## FINANCIAL INFORMATION

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tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

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

### **Impairment of financial assets**

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

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becomes probable that the obligor will enter bankruptcy or other financial reorganisation;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio;
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

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

## FINANCIAL INFORMATION

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

### DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

#### Revenue

Our revenue consists of sales of bottled water, net of value-added taxes. Our revenue amounted to RMB119.5 million, RMB215.8 million and RMB360.5 million for the years ended December 31, 2008, 2009 and 2010, respectively. The growth of our revenue was primarily attributed to increases in our sales volume.

The following table sets forth the sales volume of our bottled mineral water for the years indicated:

	Year ended December 31,		
	2008	2009	2010
Sales volume (in tonnes) <sup>(1)</sup> . . . . .	34,417	60,683	81,576
Average Selling Price (RMB'000 per ton) . . . . .	3.5	3.6	4.4

<sup>(1)</sup> Tibet 5100 Spring's sales volume in 2008, 2009 and 2010 includes volume provided to CRE, its largest customer, for free under a buy-one-get-one-free arrangement entered into in 2008. CRE is a logistics company and an enterprise subordinate to and acting as a procurement agent on behalf of the MOR in purchasing bottled mineral water from Tibet 5100 Spring. The volume of bottled water provided for free to CRE is in turn distributed by CRE to train operators under the MOR, who serve the bottled water to ticketed passengers on high-speed trains, inter-provincial CRH trains and certain other CRH trains. The volume of bottled water delivered to CRE accounted for approximately 90.9%, 89.7% and 89.5% of Tibet 5100 Spring's sales volume in 2008, 2009 and 2010, respectively, and is included in the calculation of Tibet 5100 Spring's market share in terms of sales volume by Euromonitor. For further details on Tibet 5100 Spring's relationship with CRE, please refer to "Our Business — Customers and Distribution Network".

The following table sets forth components of our revenue for the years indicated.

	Year ended December 31,					
	2008		2009		2010	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)					
CRE . . . . .	91.8	76.8%	174.8	81.0%	290.3	80.5%
Others <sup>(1)</sup> . . . . .	27.7	23.2%	41.0	19.0%	70.2	19.5%
Total revenue . . . . .	<u>119.5</u>	<u>100.0%</u>	<u>215.8</u>	<u>100.0%</u>	<u>360.5</u>	<u>100.0%</u>



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## FINANCIAL INFORMATION

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<sup>(1)</sup> “Others” includes both institutional purchasers and distributors, and because some institutional purchasers are also distributors, we have not divided “Others” into “Institutional purchasers” and “Distributors”.

CRE, our largest end-customer and an Independent Third Party, accounted for approximately 76.8%, 81.0% and 80.5% of our sales in 2008, 2009 and 2010, respectively. CRE (i) distributes our bottled water to their ticketed passengers on high-speed trains, inter-provincial CRH trains and certain other CRH trains free of charge; and (ii) distributes and/or sells the remaining bottled water within the MOR system, including shops, restaurants, and hotels. As to the other approximately 20% of our sales, we sold our products through a range of independent distributors and independent sub-distributors. Historically, a significant majority of our revenue was derived from sales of our bottled water to CRE and through the MOR network, which contributed 76.8%, 81.0% and 80.5% of our total revenue for the years ended December 31, 2008, 2009 and 2010, respectively. We also derive revenue from the sales of our product to other institutional purchasers, government institutions and our retail distributors, which accounted for RMB27.7 million, RMB41.0 million and RMB70.2 million for the years ended December 31, 2008, 2009 and 2010, respectively. Although our sales to CRE is forecasted to increase by 66% from 2010 to 2011, we expect our sales to CRE to represent only 59% of our forecasted turnover in 2011, compared to approximately 80.5% of our turnover in 2010, which demonstrates a reduction in our reliance on CRE as a result of our efforts to develop other sales channels such as sales to other institutional purchasers. In 2011, we entered into strategic relationships with more institutional purchasers other than CRE, and as a result, the portion of our turnover generated from CRE has decreased while our total turnover has increased. Going forward, we intend to continue adopting the strategy of customer diversification to reduce our reliance on CRE.

Prior to January 1, 2011, we made a significant portion of our non-CRE sales through Water Co., one of our distributors, which would then enter into agreements with our sub-distributors. Our sales to Water Co. for the years ended December 31, 2008, 2009 and 2010 amounted to RMB0, RMB17.2 million and RMB13.1 million, respectively. Through this arrangement, Water Co. provided certain sales and marketing services, and we sold our product to Water Co. at a distributor discount. Beginning in January 1, 2011, we no longer make any sales through Water Co., and we will enter into agreements directly with sub-distributors that previously purchased our product from Water Co. As a result of eliminating Water Co. from the transaction structure, we expect our revenue to be positively affected due to the reduction of the distributor discount, but also expect our distribution costs to increase as we will directly conduct the sales and marketing activities and bear such expenses.

### Cost of Sales

Our cost of sales primarily consist of raw materials and consumables used, depreciation of property, plant and equipment, staff costs, value added taxes on free goods and surcharges as well as utility charges. Our cost of sales were RMB59.6 million, RMB91.5 million and RMB128.3 million for the years ended December 31, 2008, 2009 and 2010, respectively.

## FINANCIAL INFORMATION

The table below sets forth a breakdown of our cost of sales for the years indicated.

	Year ended December 31,					
	2008		2009		2010	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)					
Raw materials and consumables used . . .	48.2	80.9%	66.0	72.1%	90.3	70.4%
Depreciation of property, plant and equipment . . . . .	6.2	10.4%	11.3	12.3%	14.1	11.0%
Value added taxes on free goods and surcharges . . . . .	2.2	3.7%	6.1	6.7%	9.4	7.4%
Salary, wages and benefit . . . . .	2.7	4.5%	5.9	6.4%	5.9	4.6%
Electricity and other utility expenses . . .	1.7	2.9%	3.8	4.2%	6.0	4.6%
Changes in inventories of finished goods . . . . .	(2.4)	(4.0%)	(3.7)	(4.0%)	0.5	0.4%
Exploration rights expenses <sup>(a)</sup> . . . . .	0.3	0.5%	0.3	0.3%	0.5	0.4%
Others . . . . .	0.7	1.1%	1.8	2.0%	1.6	1.2%
<b>Total cost of sales . . . . .</b>	<b>59.6</b>	<b>100.0%</b>	<b>91.5</b>	<b>100.0%</b>	<b>128.3</b>	<b>100.0%</b>

(a) We obtained the rights to explore water in 2006, and according to the cooperation agreement in relation to the exploration rights, we are required to pay RMB2.0 million in 2006, RMB0.3 million every year during the period from 2007 to 2009, and RMB0.5 million every year starting from 2010. As our Directors consider that the useful lives of the exploration rights are indeterminable according to the Cooperation Agreement, and the fees incurred are not material to our overall financial information, we charged such payments to “cost of sales” in the combined income statement during the year in which they are incurred, which is appropriate under IFRS.

Historically, the cost of raw materials and consumables used to manufacture our product, which primarily consists of PET granules used in the production of our bottles, has been the largest component of our cost of sales. Such costs accounted for 80.9%, 72.1% and 70.4% of our total cost of sales for the years ended December 31, 2008, 2009 and 2010, respectively. Although the absolute amount of the cost of raw materials and consumables has continually risen since 2008 as our sales continued to increase, its amount as a percentage of total cost of sales has declined between 2008 and 2009 due to the declining cost of PET, the key raw material we use to produce the bottles for our water. As the price of oil fluctuated between 2008 and 2010, so has the price of petrochemical products such as PET. Prior to 2010, we also purchased a significant portion of the PET bottle preforms from Independent Third Parties, but since we began production of PET bottle preforms internally in 2009, we have progressively purchased a smaller amount of PET bottle preforms externally. Prior to our production of PET bottles internally in 2009, our costs incurred for purchasing PET bottle preforms in 2008 was RMB27.4 million, which accounted for 46.0% of our total cost of sales. Our costs incurred for both producing internally and purchasing PET bottle preforms in 2009 was RMB33.1 million and our costs incurred for producing PET bottle preforms internally in 2010 was RMB48.4 million, which accounted for 36.2% and 37.7% of our total cost of sales, respectively. Our continued vertical integration has also contributed to the decrease in our cost of sales as a percentage of revenue.

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## FINANCIAL INFORMATION

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Other significant items contributing to our cost of sales include the depreciation of property, plant and equipment and value added taxes on free goods and surcharges. Depreciation of property, plant and equipment contributed to 10.4%, 12.3% and 11.0% of our total cost of sales for the years ended December 31, 2008, 2009 and 2010, respectively. Our property, plant and equipment consists mainly of machinery used to produce our bottled water, and the greater relative depreciation of property, plant and equipment in 2009 is primarily attributable to an increase in the amount of machinery we purchased to vertically integrate our production process by manufacturing the PET bottle preforms internally and increase our overall production capacity.

Value added taxes on free goods and surcharges are taxes imposed on our free bottled water provided to CRE under a buy-one-get-one-free arrangement, which as a percentage cost of sales comprised 3.7%, 6.7% and 7.4% of our total cost of sales for the years ended December 31, 2008, 2009 and 2010, respectively. The increase in value added taxes on free goods and surcharges over each period was primarily due to the increase of the free goods delivered to CRE, which led to a corresponding increase in the amount of value added taxes on free goods and surcharges paid. Our agreement with CRE was amended in August 2008, resulting in the value added taxes and surcharges on free goods payable on the complimentary bottles of water delivered to CRE and served to passengers on high-speed and CRH trains.

### **Distribution Costs**

Our distribution costs amounted to RMB32.0 million, RMB60.9 million and RMB81.6 million for the years ended December 31, 2008, 2009 and 2010, respectively. These distribution costs primarily consisted of transportation expenses related to moving our product from its source in Tibet, in the far west of China, to our consumer base in large urban areas that lie mainly along China's eastern coastal region. As such, transportation expenses accounted for 87.8%, 93.8% and 96.1% of distribution costs in 2008, 2009 and 2010, respectively. Our transportation services are primarily provided by the integrated transportation and logistics solutions provided to us by CRE and to a lesser extent from the transportation solution provided to us by FedEx for delivering the water sold in the form of water cards. These costs have risen primarily due to the increase in total transportation volume. We also account for expenses related to our sales and marketing activities under distribution costs.

Our agreement with CRE was amended in August 2008 regarding the party responsible for paying the transportation expenses associated with the complimentary bottles of water served to passengers on high-speed and CRH trains. Beginning in August 2008, we pay CRE a fixed price per box and per kilogram for transporting the complimentary bottles of water, whereas prior to August 2008, CRE bore such transportation expenses. In connection with this change in August 2008, we also increased the price per bottle of the water purchased by CRE. These changes contributed to the increase in our distribution costs. In addition, beginning in 2011, we expect our distribution costs to increase as a result of the termination of Water Co. as a distributor as we will directly conduct the sales and marketing activities and bear such expenses previously borne by Water Co. For more information, see “— Revenue”.

## FINANCIAL INFORMATION

### Administrative Expenses

Our largest administrative expenses are those related to employee benefits, such as salaries, and these made up 58.5%, 60.2% and 53.6% of all administrative expenses for the years ended December 31, 2008, 2009 and 2010, respectively. We also account for travel expenses, depreciation of our offices and equipment not used in production, professional service fees, office supplies and other general overhead expenses under administrative expenses.

Our administrative expenses amounted to RMB9.4 million, RMB10.8 million and RMB18.3 million for the years ended December 31, 2008, 2009 and 2010, respectively. As a percentage of revenue, our administrative expenses have decreased since 2008, from 7.9% in 2008 to 5.0% in 2009, and stayed relatively stable at 5.1% in 2010. This downward trend is primarily attributable to the increased scale of our operations and the effects of economies of scale and also reflects the effect of our continued cost management efforts.

### REVIEW OF HISTORICAL OPERATING RESULTS

The following table sets forth, for the periods indicated, selected combined income statement data from our combined financial information. For more detailed information, please see the Accountant's Report set out in Appendix I to this prospectus.

	Year ended December 31,					
	2008		2009		2010	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)					
Revenue . . . . .	119.5	100.0%	215.8	100.0%	360.5	100.0%
Cost of sales . . . . .	(59.6)	(49.9%)	(91.5)	(42.4%)	(128.3)	(35.6%)
Gross profit . . . . .	59.9	50.1%	124.3	57.6%	232.2	64.4%
Other (losses)/gains, net . . .	(0.4)	(0.3%)	2.3	1.1%	2.4	0.7%
Distribution costs . . . . .	(32.0)	(26.8%)	(60.9)	(28.2%)	(81.6)	(22.6%)
Administrative expenses . . .	(9.4)	(7.9%)	(10.8)	(5.0%)	(18.3)	(5.1%)
Operating profit . . . . .	18.1	15.1%	54.9	25.4%	134.7	37.4%
Finance costs — net . . . . .	(5.1)	(4.3%)	(4.0)	(1.9%)	(2.0)	(0.6%)
Profit before income tax . . .	13.0	10.9%	50.9	23.6%	132.7	36.8%
Income tax expenses . . . . .	(1.1)	(0.9%)	(3.5)	(1.6%)	(17.5)	(4.8%)
Profit for the year . . . . .	<u>11.9</u>	<u>10.0%</u>	<u>47.4</u>	<u>22.0%</u>	<u>115.2</u>	<u>32.0%</u>
Attributable to:						
Equity holders of the						
Company . . . . .	<u>11.2</u>	<u>9.4%</u>	<u>47.4</u>	<u>22.0%</u>	<u>115.2</u>	<u>32.0%</u>
Non-controlling interests . . .	<u>0.7</u>	<u>0.6%</u>	—	—	—	—

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## FINANCIAL INFORMATION

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### Year ended December 31, 2010 compared to year ended December 31, 2009

*Revenue.* Our revenue increased by 67.1% to RMB360.5 million for the year ended December 31, 2010 from RMB215.8 million for the year ended December 31, 2009, primarily due to an increase in the sales volume of our bottled water, which increased by 34.4% to 81,576 tonnes for the year ended December 31, 2010 from 60,683 tonnes for the year ended December 31, 2009. The sales volume increased as a result of our increasing sales to CRE, as the demand of bottled water by CRE increased in line with the increasing number of high-speed and CRH trains and the increasing number of passengers as a result of the development and expansion of China's railway industry. Our revenue attributable to CRE accounted for 81.0% and 80.5% of the total revenue in 2009 and 2010, respectively. Our revenue from sales to CRE increased by 66.1% to RMB290.3 million in 2010 from RMB174.8 million in 2009. The increase of our revenue was also attributable to the increasing average selling price from RMB3,600 per ton for the year ended December 31, 2009 to RMB4,400 per ton for the year ended December 31, 2010. We primarily attribute the increase of our average selling price to (i) an increasing portion of sales in the form of water cards, which generally has a relatively higher average selling price; (ii) the fact that we re-negotiated with our distributor, Water Co., and increased our selling price effective September 1, 2010; and (iii) the increased portion of sales to our non-CRE strategic partners and institutional purchasers, which generally have a relatively higher average selling price.

*Cost of Sales.* Our cost of sales increased by 40.2% to RMB128.3 million for the year ended December 31, 2010 from RMB91.5 million for the year ended December 31, 2009. This increase was largely driven by an increase in the cost of raw material and consumables used, which rose by 36.8% to RMB90.3 million in 2010 from RMB66.0 million in 2009. We attribute the increase in the cost of our raw materials and consumables primarily to the increase in the number of PET bottles produced as a result of the increase in our sales volume, which required a greater quantity of PET granules and a general increase in the average market price of PET in 2010 due to an increase in the price of crude oil. Although the cost of raw material and consumables used to manufacture our product rose in absolute terms, it decreased as a percentage of total cost of sales from 72.1% in 2009 to 70.4% in 2010. Our total cost of sales also increased in absolute terms, but decreased as a percentage of revenue from 42.4% in 2009 to 35.6% in 2010. These decreases as a percentage of revenue are primarily attributable to (i) the increase in our average selling price in 2010 which led to a relatively greater increase in our revenues compared to our cost of sales, and (ii) our greater-degree of vertical integration due to the fact that we produced most PET bottle preforms internally in 2010, whereas we still purchased a portion of the PET bottle preforms from independent third-party suppliers in 2009.

Depreciation cost of property, plant and equipment included in cost of sales increased by 24.8% to RMB14.1 million for the year ended December 31, 2010 from RMB11.3 million for the year ended December 31, 2009. The increase was attributable to an increase in the amount of production lines we constructed in progress to enhance our production capacity. Value added taxes on free goods and surcharges increased to RMB9.4 million for the year ended December 31, 2010 from RMB6.1 million for the year ended December 31, 2009, primarily reflecting increasing supply of free bottled water to CRE. Repair and maintenance increased to RMB0.6 million for the year ended December 31, 2010 from RMB0.1 million for the year ended December 31, 2009. The increase was due to the regular repair of our machinery and equipments every two years, and the relocation of one of our production lines.

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## FINANCIAL INFORMATION

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*Gross Profit.* Our gross profit increased by 86.8% to RMB232.2 million in 2010 from RMB124.3 million in 2009. Our gross margin increased to 64.4% in 2010 from 57.6% in 2009. The increase in gross margin was primarily attributable to the higher rate of increase in revenue as compared to our cost of sales. The increase in our gross margin was also due to a increase in the average price of our bottled mineral water sold in 2010 compared to 2009. We also attribute the increase in our gross profit to our greater degree of vertical integration in 2010, as we manufactured mainly most of the PET bottle preforms internally instead of purchasing them from Independent Third Parties.

*Distribution Costs.* Our distribution costs increased by 34.0% to RMB81.6 million for the year ended December 31, 2010 from RMB60.9 million for the year ended December 31, 2009. We primarily attribute the increase in distribution costs to a significant increase in transportation expenses to RMB78.4 million in 2010 from RMB57.1 million in 2009 due to an increase in the volume of bottled water, which require us to bear the expense of delivering the bottled water to the wholesalers/distributor. Transportation expenses also increased due to the increase in sales in the form of water cards, which require us to bear the additional expenses of delivering the bottled water to the end consumer.

*Administrative Expenses.* Our administrative expenses increased by 69.4% to RMB18.3 million for the year ended December 31, 2010 from RMB10.8 million for the year ended December 31, 2009. The increase was driven by the expansion of our business, which involved the increasing number of employees and the expenditure we spent on the consultation and preparation for the Listing. As a result, the administrative expenses, reflecting the increase in the amount of employee benefit expenses and other expenses, increased from 2009 to 2010.

*Other (Losses)/Gains.* Our other gains in 2010 increased to RMB2.4 million from RMB2.3 million in 2009. Other gains in the year ended December 31, 2009 and 2010 primarily related to the government grants we received.

*Finance Income.* Our finance income decreased significantly to RMB0.5 million in 2010 from RMB1.4 million in 2009 primarily due to lower interest income in 2010 as a result of lower average cash balances in 2010.

*Finance Costs.* Our finance costs decreased significantly to RMB2.5 million in 2010 from RMB5.4 million in 2009 primarily due to a decrease in average loan balances in 2010.

*Profit before Income Tax.* As a result of the foregoing, our profit before income tax increased significantly to RMB132.7 million in 2010 from RMB50.9 million in 2009.

*Income Tax Expense.* Our income taxes increased to RMB17.5 million in 2010 from RMB3.5 million in 2009. Our effective tax rate for the years ended December 31, 2009 and 2010 was 6.8% and 13.2%, respectively. The increase in effective tax rate from 2009 to 2010 was primarily due to the increase of the applicable tax rate of Glacier Water from 6% to 7.5%, and the impact of applicable tax rates of 15% of Glacier Marketing, which is incorporated in 2010.

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## FINANCIAL INFORMATION

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*Profit for the year.* As a result of the foregoing, our profit for the year increased significantly to RMB115.2 million in 2010 from RMB47.4 million in 2009. Our net profit margin increased to 32.0% in 2010 from 22.0% in 2009.

### **Year ended December 31, 2009 compared to year ended December 31, 2008**

*Revenue.* Our revenue increased by 80.6% to RMB215.8 million for the year ended December 31, 2009 from RMB119.5 million for the year ended December 31, 2008, primarily due to an increase in the sales of our bottled water to CRE. Our revenue attributable to CRE accounted for 76.9% and 81.0% of the total revenue in 2008 and 2009, respectively. Our revenue from sales to CRE increased by 90.4% to RMB174.8 million in 2009 from RMB91.8 million in 2008. Our sales to CRE increased as a result of the increased penetration of our bottled water throughout the MOR network, particularly on high-speed and CRH trains between major cities such as Guangzhou and Shenzhen. In particular, the quantity of our complimentary water provided to CRE passengers for consumption on high-speed and CRH trains increased as a result of (i) an increase in the number of high-speed and CRH trains with the inauguration of services from Chengdu, Wuhan, Hefei, Taiyuan, Shijiazhuang, Wenzhou, Fuzhou in 2009, (ii) an increase in the frequency of trains on the existing high-speed and CRH trains and (iii) an overall increase in the number of railway passengers and a greater availability of our product to such passengers, all of which led to a corresponding increase in the number of bottles of water that CRE was required to purchase from us pursuant to the terms of our agreement. In addition, pursuant to our agreement that became effective on August 1, 2008, we increased the average wholesale price for our bottled glacial mineral water sold to CRE. Our revenue from non-CRE sales also increased in 2009 from 2008 as a result of our increased efforts to expand our retail distribution network in 2009, which led to an increase in retail sales from non-CRE points-of-sale.

*Cost of Sales.* Our cost of sales increased by 53.5% to RMB91.5 million for the year ended December 31, 2009 from RMB59.6 million for the year ended December 31, 2008. This increase was largely driven by an increase in the cost of raw material and consumables used, which rose by 36.9% to RMB66.0 million in 2009 from RMB48.2 million in 2008. Although the cost of raw material and consumables used to manufacture our product rose in absolute terms, it decreased as a percentage of total cost of sales from 80.9% in 2008 to 72.1% in 2009. Our total cost of sales also increased in absolute terms, but decreased as a percentage of revenue from 49.9% in 2008 to 42.4% in 2009. These decreases as a percentage of revenue are primarily attributable to a decrease in the market price of PET, which is our principal raw material, and our greater-degree of vertical integration due to the fact that we produced an increasingly greater portion of the PET bottle preforms internally in 2009, whereas we purchased all of the PET bottle preforms from independent third-party suppliers in 2008. The average price we paid for PET granules declined from 2008 to 2009, primarily reflecting declining oil prices during this period.

Other costs of sales, such as the depreciation of property, plant and equipment and tax and surcharges, increased as a percentage of total cost of sales from 2008 to 2009. Our cost of sales due to depreciation of property, plant and equipment increased by 82.3% to RMB11.3 million for the year ended December 31, 2009 from RMB6.2 million for the year ended December 31, 2008, which we attribute to an increase in the amount of machinery we purchased to vertically integrate our production process by manufacturing the PET bottle preforms internally and increase our overall production capacity. Value added taxes on free goods and surcharges increased to RMB6.1 million for the year

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## FINANCIAL INFORMATION

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ended December 31, 2009 from RMB2.2 million for the year ended December 31, 2008, primarily reflecting increasing sales and the effect of our amended agreement with CRE in August 2008, resulting in our obligation to pay and bear the value added taxes and surcharges on free goods to CRE.

*Gross Profit.* Our gross profit increased significantly to RMB124.3 million in 2009 from RMB59.9 million in 2008. Our gross margin increased to 57.6% in 2009 from 50.1% in 2008. The increase in gross margin was primarily attributable to the higher rate of increase in revenue as compared to our cost of sales, which was in turn affected by the decrease in the average price we paid for PET granules in 2009. The increase in our gross margin was also due to a small increase in the average price of our bottled glacial mineral water sold to CRE in 2009 compared to 2008. We also attribute the increase in our gross profit to our greater degree of vertical integration in 2009, as we manufactured a majority of the PET bottle preforms internally instead of purchasing them from Independent Third Parties.

*Distribution Costs.* Our distribution costs increased by 90.3% to RMB60.9 million for the year ended December 31, 2009 from RMB32.0 million for the year ended December 31, 2008. We primarily attribute the increase in distribution costs to a significant increase in transportation expenses to RMB57.1 million in 2009 from RMB28.1 million in 2008 due to an increase in the volume of bottled water transported. In addition, transportation expenses also increased due to the fact that prior to our amended agreement with CRE that became effective on August 1, 2008, the cost of transporting the bottled water sold to CRE was borne by CRE whereas after August 1, 2008, we must pay CRE for the transportation and logistics of our bottled water sold to CRE.

*Administrative Expenses.* Our administrative expenses increased by 14.9% to RMB10.8 million for the year ended December 31, 2009 from RMB9.4 million for the year ended December 31, 2008, but as a percentage of revenue decreased from 7.9% in 2008 to 5.0% in 2009. Our revenue growth rate was higher than the increase of our administrative expenses during this period due to greater economies of scale.

*Other (Losses)/Gains.* Our other gains in 2009 amounted to RMB2.3 million whereas our other losses in 2008 amounted to RMB0.4 million. Other gains in 2009 primarily related to the government grants we received.

*Finance Income.* Our finance income increased by 40.0% to RMB1.4 million in 2009 from RMB1.0 million in 2008 primarily due to higher interest income in 2009 as a result of higher average cash balances in 2009.

*Finance Costs.* Our finance costs decreased by 11.5% to RMB5.4 million in 2009 from RMB6.1 million in 2008 primarily due to a decrease in average loan balances in 2009.

*Profit before Income Tax.* As a result of the foregoing, our profit before income tax increased significantly to RMB50.9 million in 2009 from RMB13.0 million in 2008.

*Income Tax Expense.* Our income taxes increased to RMB3.5 million from RMB1.1 million in 2008. During 2008 and 2009, only Glacier Water was profit making and subject to income tax at a tax rate of 5% and 6%, respectively, while our other subsidiaries have been loss making since



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## FINANCIAL INFORMATION

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incorporation and no current tax or deferred tax was recognized. Our effective tax rate for the years ended December 31, 2008 and 2009 was 8.1% and 6.8%, respectively. The decrease in effective tax rate was attributable to Glacier Water having made a larger profit while our other subsidiaries having made a smaller loss in 2009 than in 2008. As such, our effective tax rate of 6.8% in 2009 became closer to the tax rate of Glacier Water, which was 6%.

*Profit for the year.* As a result of the foregoing, our profit for the year increased significantly to RMB47.4 million in 2009 from RMB11.9 million in 2008. Our net profit margin increased to 22.0% in 2009 from 10.0% in 2008.

### DISCUSSION OF SELECTED STATEMENT OF FINANCIAL POSITION ITEMS

#### Inventories

The following table sets forth a summary of our inventories as of the balance sheet dates indicated.

	As of December 31		
	2008	2009	2010
	(RMB in millions)		
Raw materials . . . . .	13.0	12.5	25.3
Finished goods . . . . .	2.8	6.5	6.0
Consumable materials . . . . .	0.7	0.7	0.9
Total . . . . .	16.5	19.7	32.2
Less: provision for impairment . . . . .	—	—	—
<b>Total inventories<sup>(a)</sup> . . . . .</b>	<b>16.5</b>	<b>19.7</b>	<b>32.2</b>

(a) Our amount of inventory of finished goods was kept at fairly low level during the Track Record Period. Our inventory of raw materials increased significantly from 2009 to 2010 and was primarily attributable to an increase in consumption of raw materials due to an increase in sales. During such period, we also purchased and stocked additional raw materials of PET in order to keep the cost of goods under control in the near future as the price of PET is expected to and may increase in the future.

Our inventories primarily consist of raw materials (including PET, bottles, bottle caps, labels and packaging materials) and finished goods, i.e., bottled water. Our inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. According to our inventory provisioning policy, we assess the net realisable value of the inventory on an individual basis or group basis consisting of similar raw materials or consumables, in order to identify whether a provision is necessary.

As of April 30, 2011, all of our inventories have been used or consumed subsequent to December 31, 2010.

The turnover of inventory was substantially stable from 2008 to 2010.

## FINANCIAL INFORMATION

The following table sets forth a summary of our inventory turnover for the years indicated:

	Year ended December 31,		
	2008 <sup>(1)</sup>	2009 <sup>(1)</sup>	2010 <sup>(1)</sup>
Turnover of inventory (days) . . . . .	70.9	72.4	73.9

*Notes:*

- (1) Turnover of inventory represents average inventory at the beginning and at the end of the year divided by cost of sales and multiplied by 365 days.

### Trade Receivables and Other Receivables

The following table sets forth our trade receivables as of the balance sheet dates indicated.

	As of December 31,		
	2008	2009	2010
	(RMB in millions)		
Trade receivables . . . . .	23.7	43.0	72.0
Less: Provision for impairment of receivables . . . . .	—	—	—
<b>Total trade receivables . . . . .</b>	<b>23.7</b>	<b>43.0</b>	<b>72.0</b>

Our trade receivables primarily represent the receivables from CRE. We conduct credit sales with CRE and other institutional purchasers that have established long term relationships with us. We grant a credit period of two months to CRE. We do not grant any contractual credit period to other institutional purchasers, but trade receivables are usually settled within two months. As of December 31, 2009, we had RMB13.6 million in trade receivables due from Water Co., our distributor. In general, our distributors must remit payment for water prior to delivery, and we do not grant credit period to our distributors.

An increase in our trade receivables balances during the Track Record Period is primarily attributable to an increase in the sales volume for those periods.

The following table sets forth the turnover of our trade receivables for the years indicated:

	Year ended December 31,		
	2008 <sup>(1)</sup>	2009 <sup>(1)</sup>	2010 <sup>(1)</sup>
Turnover of trade receivables (days) . . . . .	50.2	56.4	58.2

*Note:*

- (1) Turnover of trade receivables represents average trade receivables at the beginning and at the end of the year divided by revenue and multiplied by 365 days.

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## FINANCIAL INFORMATION

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Our turnover of trade receivables increased from 2008 to 2010 primarily due to the increase of balances of trade receivables arising from the increase of revenue.

We assess at the end of each reporting period whether there is objective evidence that trade receivables are impaired. Trade receivables are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the trade receivables that can be reliably estimated. We consider that there is no objective evidence of an impairment loss to the trade receivables during the Track Record Period, and accordingly, no provision is made. As of April 30, 2011, 71.4% of our trade receivables have been collected subsequent to December 31, 2010. The outstanding trade receivables are mainly due from CRE. Our sales to CRE in the second half year of 2010 increased substantially as compared to the sales in 2008 and 2009, resulting in a significant increase in trade receivables as of December 31, 2010. As we forecast the sales to CRE to increase in 2011 due to further development of our long-term business relationship with CRE, we offer CRE more flexibility in the settlement of trade receivables in 2011. In addition, given that the first quarter of 2011 is the holiday season, it took more time for CRE to settle the trade receivables during non-working days. Therefore, the subsequent settlement of trade receivables in 2011 was slower as compared to the average turnover days during the Track Record Period.

The following table sets forth a summary of the age of our trade receivables for the years indicated.

	As of December 31,		
	2008	2009	2010
	(RMB in millions)		
Within 2 months . . . . .	10.5	32.6	5.1
Over 2 months but within 6 months . . . . .	—	4.9	66.4
Over 6 months but within 1 year . . . . .	10.8	3.1	0.5
Over 1 year but within 2 years . . . . .	2.4	0.1	—
Over 2 years . . . . .	—	2.3	—
<b>Total</b> . . . . .	<b>23.7</b>	<b>43.0</b>	<b>72.0</b>

As we have expanded our sales network, we have strictly monitored the credit levels of our institutional purchasers. We do not extend any credit terms to our other distributors, as we usually require payment for our bottled water prior to delivery. As of December 31, 2008, 2009 and 2010, approximately 44.3%, 87.2% and 99.3%, respectively, of the balance of trade receivables were aged within a period of six months. In general, we do not have any formal contractual credit terms agreed with our institutional purchasers and distributors, but our trade receivables are usually settled within a period of less than two months.

If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. We did not make any provisions for impairment of trade receivables during the years ended December 31, 2008, 2009 and 2010.

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## FINANCIAL INFORMATION

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The following table sets forth our prepayments and other receivables as of the balance sheet dates indicated.

	As of December 31,		
	2008	2009	2010
	(RMB in millions)		
<b>Prepayments (current and non-current)</b> . . . . .	7.5	6.5	21.3
Other Receivables			
Amount due from third parties in financing activities . . . . .	82.9	13.6	1.5
Amount due from related parties . . . . .	10.8	7.3	—
Deposits . . . . .	0.3	0.5	0.6
Others . . . . .	0.4	0.4	0.4
Less: Provision for impairment of other receivables . . . . .	(8.9)	(8.9)	—
<b>Total other receivables</b> . . . . .	85.5	12.9	2.5

Our prepayments primarily relate to our payments to suppliers for purchasing equipment in order to expand production capacity, the prepayments for purchasing raw materials, as well as prepaid issuance costs for our Global Offering, which include professional fees incurred by us for preparation of our Global Offering. As of December 31, 2010, prepaid issuance costs included RMB2,960,000 prepaid by the Controlling Shareholder on behalf of the Group, and we confirm that all of these costs prepaid by the Controlling Shareholders will be fully settled before Listing. The increase in the prepayments as of December 31, 2010, compared with that of December 31, 2009, was primarily due to the prepaid issuance costs incurred in 2010, and the increase of the prepayments made for purchasing raw materials and equipment as a result of the growth of our business. Our other receivables primarily consisted of amounts due from third parties in financing activities and amounts due from related parties, which consisted of advances that are unsecured, interest free, repayable on demand and are usually settled within 6 to 12 months. Our amounts due from third parties in financing activities consisted of loans that we extended to other unrelated companies in the PRC that do not bear any interest and do not have any fixed terms for repayment. These advances were usually repaid within 6 months to one year. The Company confirms that all of these advances have been settled in January 2011, and in the future, the Group does not plan on extending loans/advances to Independent Third Parties or related parties, or incurring any additional amounts due from Independent Third Parties or related parties in financing activities.

Our PRC counsel has advised that, the contracts in connection with the Group's financing activities with third parties and related parties shall be invalid under relevant PRC laws and regulations. As confirmed by the Company, the Group and relevant third parties have neither contracted any interest for the financing activities nor obtained any income from the financing activities. The Company further confirmed that all the outstanding amounts in connection with such financing activities have been settled as of January 31, 2011. Based on the foregoing, our PRC counsel is of the opinion that the Group will not be punished due to its financing activities.

## FINANCIAL INFORMATION

For additional information, see “Risk Factors — Risks Relating To Our Business — Historically, we have faced certain risks relating to our loans to and advances from third parties.”

### Trade Payables and Other Payables

The following table sets forth our trade payables as of the balance sheet dates indicated.

	As of December 31,		
	2008	2009	2010
	(RMB in millions)		
Total trade and notes payables . . . . .	10.1	23.0	14.5

Our trade payables mainly relate to the purchase of raw materials and packaging materials from our principal suppliers with credit terms of up to two months after receipt of goods and invoices.

The table below sets forth our turnover of trade payables for the years indicated:

	Year ended December 31,		
	2008 <sup>(1)</sup>	2009 <sup>(1)</sup>	2010 <sup>(1)</sup>
Turnover of trade payables (days) . . . . .	49.6	66.0	53.4

*Note:*

- (1) Turnover of trade payables represents average trade payables at the beginning and at the end of the year divided by cost of sales and multiplied by 365 days.

The turnover days of trade payables increased from 2008 to 2009 and decreased from 2009 to 2010 is primarily due to the use of bank acceptance notes more in 2009 than in 2008 and 2010, which is settled within three to six months.

The following table sets forth the age of our trade payables as of the dates indicated:

	As of December 31,		
	2008	2009	2010
	(RMB in millions)		
Within 45 days . . . . .	5.2	9.5	5.5
Over 45 days but within 6 months . . . . .	3.0	9.8	8.2
Over 6 months but within 1 year . . . . .	1.0	3.0	—
Over 1 year but within 2 years . . . . .	0.9	0.2	0.1
Over 2 years . . . . .	—	0.5	0.7
<b>Total</b> . . . . .	<b>10.1</b>	<b>23.0</b>	<b>14.5</b>

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## FINANCIAL INFORMATION

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The following table sets forth our accruals and other payables as of the balance sheet dates indicated.

	As of December 31,		
	2008	2009	2010
	(RMB in millions)		
Salary and welfare payable . . . . .	0.9	1.9	1.6
Value added taxes on free goods and surcharges . .	3.0	8.2	—
Other tax payables . . . . .	—	—	0.4
Accrued expenses . . . . .	4.9	2.8	8.5
Amounts due to related parties . . . . .	6.9	21.4	63.4
Amounts due to third parties in financing activities . . . . .	88.2	64.3	32.1
Other payables . . . . .	9.3	24.7	18.6
<b>Total</b> . . . . .	<b>113.2</b>	<b>123.3</b>	<b>124.6</b>

The balances of accrued expenses mainly consisted of accrued transportation costs incurred from the logistic service, which haven't been billed and settled. The fluctuation during the Track Record Period is due to the different timing of settlement with the logistic service providers.

Amount due to third parties in financing activities and related parties represent the largest portion of our accruals and other payables. We had short-term advances from certain third party enterprises to satisfy the temporary working capital needs of us. These advances and borrowings were receivable/ payable on demand and were interest free. Our directors confirm that the outstanding balances of amounts due to third parties in financing activities as of December 31, 2010 have been fully settled as of January 31, 2011.

We purchased overseas equipment and two related parties paid on behalf of us in the past and no mark-up was charged by these companies, so the outstanding balances were accounted for under amounts due to related parties, which are unsecured and interest free. From January 1, 2011, we purchase our overseas equipment directly from the overseas suppliers. Our Directors are of the view that the related party transactions were conducted on normal commercial terms, and confirm that all non-trade balances with related parties will be fully settled before the Listing of the Company. For additional information, see "Risk Factors — Risks Relating To Our Business — Historically, we have faced certain risks relating to our loans to and advances from third party."

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## FINANCIAL INFORMATION

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### Deferred Revenue and Advances Received from Customers

The following table sets forth information regarding our deferred revenue and advances received from customers for the periods indicated.

	As of December 31,		
	2008	2009	2010
	(RMB in millions)		
Deferred revenue . . . . .	7.7	13.4	—
Advances received from customers . . . . .	7.2	7.3	26.1
<b>Total</b> . . . . .	14.9	20.7	26.1

Our deferred revenue consists of deferred revenue that we recognize primarily in connection with our arrangement with CRE and to a lesser extent from water cards. Our balances of deferred revenue from CRE for the years ended December 31, 2008, 2009 and 2010 were RMB1.7 million, RMB5.5 million and RMB0, respectively. The balance of deferred revenue from CRE became RMB0 as of December 31, 2010, as the volume sold and the volume delivered for free were equal as of December 31, 2010, and there was no outstanding free bottled water to be delivered to CRE as of December 31, 2010 relating to the bottled water sold to CRE during the Track Record Period.

Our balances of deferred revenue from water cards for the years ended December 31, 2008, 2009 and 2010 and water cards were RMB 6.0 million, RMB 7.9 million and nil, respectively. The balance of deferred revenue from water cards became RMB0 as of 31 December 2010, as the water cards sold during the Track Record Period expired on 31 December 2010 and all related deferred revenue was recognised as revenue in 2010.

- As part of our arrangement with CRE, where we provide one bottle of water free-of-charge for each bottle that is purchased, CRE is entitled to receive one bottle of water for free, so the fair value of the consideration received is equally allocated between the deliveries of the two bottles. The consideration allocated to the free bottle of water is recognized as deferred revenue until the consideration is recognized as revenue when such bottle has been delivered to CRE.
- The consideration received from sales of our bottled water in the form of water cards is recognized as deferred revenue until the earlier of (i) when the consideration is recognized when the water card is redeemed or (ii) when the water card expires. The process of the sales in the form of water cards takes place in the following manner: first, the bottled water, together with the water cards, are delivered to the distributors; second, the water cards are sold by the distributors to the end customers who are entitled to redeem the bottled water before the expiry date of such water cards; finally, the water cards are redeemed by the end customers, i.e., the card holders, and the bottled water is delivered to the end customers usually within one day of the redemption date.

Our advances received from customers consist of prepayments received from distributors, as we only recognize revenue when the bottled water is delivered to the distributors. As of April 30, 2011, our balances of deferred revenue from water cards was RMB2.2 million.

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## FINANCIAL INFORMATION

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### LIQUIDITY AND CAPITAL RESOURCES

We have historically met our working capital and other capital requirements principally from cash generated from operations and cash at hand, while raising the remainder of our requirements primarily through short-term and long-term debt and borrowings from banks and other parties.

#### Cash Flow

The following table presents selected cash flow data from our combined cash flow statements for the periods indicated:

	Year ended December 31,		
	2008	2009	2010
	(RMB in millions)		
Net cash generated from operating activities . . . . .	27.0	60.3	92.8
Net cash used in investing activities . . . . .	(33.4)	(48.0)	(17.4)
Net cash generated from (used in) financing activities . . . . .	39.8	5.0	(103.6)
Net increase (decrease) in cash and cash equivalents . . . . .	33.4	17.3	(28.2)
Cash and cash equivalents at beginning of year . . .	13.3	46.7	64.0
Exchange translation losses on cash and cash equivalents . . . . .	—	—	(1.0)
Cash and cash equivalents at end of year . . . . .	46.7	64.0	34.8

Historically, we have funded our operations primarily from operating cash flow and short term and long term borrowings from banks. Our cash requirements are mainly for working capital and capital expenditures relating to the expansion of our operations as well as repayment of existing indebtedness. We seek to continuously manage our liquidity situation to ensure that it is adequate to meet our expansion plans.

#### *Net Cash Generated from Operating Activities*

We derive our cash inflow from operating activities principally from the receipt of sale of our products. Our cash outflow from operating activities is principally for purchase of raw materials and payment of production and transportation costs, and employee benefit expenses.

For the year ended December 31, 2010, we had net cash generated from operating activities of RMB92.8 million, consisting of cash generated from operations of RMB113.1 million, interest received of RMB0.4 million and offset by income tax paid of RMB20.7 million. Our cash generated from operations consisted of cash flow from operating activities before working capital changes of RMB153.0 million and net increase in working capital of RMB39.9 million. Net increase in working



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## FINANCIAL INFORMATION

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capital reflected primarily an increase in inventories of RMB12.5 million, an increase in trade receivables of RMB29.0 million, an increase in prepayments and other receivables of RMB8.5 million, a decrease in restricted cash of RMB17.1 million, a decrease in trade payables of RMB8.5 million, a decrease in accruals and other payables of RMB3.9 million and an increase in deferred revenue and advance received from customers of RMB5.3 million. The increase in inventories was primarily due to the expansion of our production and we have to increase the balances of raw materials for use and consumption. The increase in trade receivables was primarily driven by the increase of our revenue. The increase in prepayments and other receivables was primarily due to the prepayment made to purchase of raw materials. The decrease in restricted cash was primarily due to the settlement of the bank acceptance notes, which is secured by a portion of cash. The decrease in trade payables was primarily due to the settlement of the bank acceptance notes. The decrease in accrual and other payables was primarily due to the payment of the outstanding tax payable balances. The increase in deferred revenue and advance received from customers was primarily due to the decrease of the deferred revenue arising from our sales of water cards and free goods delivered to CRE, and increase of the advances received from customers.

For the year ended December 31, 2009, we had net cash generated from operating activities of RMB60.3 million, consisting of cash generated from operations of RMB62.3 million, interest received of RMB1.4 million and offset by income tax paid of RMB3.4 million. Our cash generated from operations consisted of cash flow from operating activities before working capital changes of RMB70.2 million and net changes in working capital of RMB7.9million. Net changes in working capital reflected primarily an increase in inventories of RMB3.2 million, an increase in trade receivables of RMB19.3 million, an increase in prepayments and other receivables of RMB2.7 million, an increase in restricted cash of RMB4.5 million, an increase in trade payables of RMB12.9 million, an increase in accruals and other payables of RMB3.0 million and an increase in deferred revenue and advance received from customers of RMB5.8 million. The increase in inventories was primarily due to the expansion of our production and accordingly an increase the balances of raw materials and finished goods for use and consumption. The increase in trade receivables was primarily due to the increase of our revenue. The increase in prepayments and other receivables was primarily due to the prepayment made to purchase of raw materials. The increase in restricted cash was primarily due to the increase of the bank acceptance notes, and a portion of cash should be restricted as security. The increase in trade payables was primarily due to the increase of the volume we purchased from our suppliers. The increase in accrual and other payables was primarily due to the increase of the balances of value added tax and other taxes payables. The increase in deferred revenue and advance received from customers was primarily due to the increase of our sales of water cards and free goods delivered to CRE.

For the year ended December 31, 2008, we had net cash generated from operating activities of RMB27.0 million, consisting of cash generated from operations of RMB27.1 million, interest received of RMB1.0 million, offset by income tax paid of RMB1.1 million. Our cash generated from operations consisted of cash flow from operating activities before working capital changes of RMB28.0 million and net changes in working capital of RMB0.9 million. Net changes in working capital reflected primarily primarily an increase in inventories of RMB10.0 million, an increase in trade receivables of RMB14.6 million, a decrease in restricted cash of RMB140.4 million, an increase in trade payables of RMB4.0 million, a decrease in accruals and other payables of RMB135.3 million and an increase in deferred revenue and advance received from customers of RMB14.7 million. The increase in

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## FINANCIAL INFORMATION

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inventories was primarily due to the expansion of our production and we have to increase the balances of raw materials and finished goods for use and consumption. The increase in trade receivables was primarily due to the increase of our revenue. The decrease in restricted cash and the decrease in accrual and other payables were primarily due to the settlement of the bank acceptance notes with the restricted cash. The increase in trade payables was primarily due to the increase of the volume we purchased from our suppliers. The increase in deferred revenue and advance received from customers was primarily due to the increase of our sales of water cards and free goods delivered to CRE.

### *Net Cash Used in Investing Activities*

For the year ended December 31, 2010, we had net cash used in investing activities of RMB17.4 million. We had paid for the purchases of property, plant and equipment of RMB28.9 million, which was partially offset by the government grant received of RMB11.6 million under Zang Fa Gai Tou Zi (藏發改投資)[2010] No. 337 in relation to our purchases of property, plant and equipment.

We had net cash used in investing activities of RMB33.4 million and RMB48.0 million for the years ended December 31, 2008 and 2009. During the Track Record Period, our investing activities related to purchases of property, plants and equipment, and we used cash to purchase equipment related to expanding our production capacity during this period.

### *Net Cash Used in/Generated from Financing Activities*

We had net cash used in financing activities of RMB103.6 million for the year ended December 31, 2010. This was primarily attributable to RMB79.0 million of repayment of bank borrowings and RMB20.0 million of net settlement of the amounts due to third parties.

We had net cash generated from financing activities of RMB5.0 million for the year ended December 31, 2009. This was primarily attributable to RMB115.6 million that we received from bank borrowings and RMB45.3 million that we generated from financing activities with third parties, largely offset by cash we used to repay bank borrowings of RMB152.2 million.

We had net cash generated from financing activities of RMB39.8 million for the year ended December 31, 2008. This was primarily attributable to RMB153.0 million that we received from bank borrowings and RMB13.6 million that we received as a capital injection from equity holders. Our cash generated from financing activities was reduced by RMB86.4 million in repayment of bank borrowings and RMB34.6 million that we used in financing activities with third parties.

### *Working Capital Confirmation*

Our Directors confirmed that, after taking into account our current cash and cash equivalents, our anticipated cash flows from operating and financing activities and the net proceeds from the Global Offering, we believe that we have sufficient working capital for the present requirements and anticipated capital expenditures for at least the next 12 months from the date of this prospectus.

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## FINANCIAL INFORMATION

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### Capital Expenditures

Capital expenditures consist of purchases of property, plant and equipment.

Our capital expenditures decreased in 2010 from 2009 and remained stable in 2009 from 2008. In particular, our capital expenditures in 2008 and 2009 consisted of additions of property, plant and equipment to build out our initial production lines. The following table sets forth our capital expenditures for the years indicated.

	Year ended December 31,		
	2008	2009	2010
	(RMB in millions)		
Additions of property, plant and equipment . . . . .	<u>80.1</u>	<u>81.5</u>	<u>61.6</u>

We financed our capital expenditure requirements primarily through bank and other borrowings. We expect that our committed capital expenditures will amount to approximately RMB2.5 million in 2011. The capital expenditure for 2011 is currently planned to be primarily used to increase production capacity for bottled water via the purchases of machinery used in the manufacture and bottling of PET bottles. We plan to finance our 2011 capital expenditure requirements primarily with part of the net proceeds from the Global Offering and cash generated from our operations.

Should our future operating cash flow fall short of our initial estimate, we will curtail our capital expenditure plan, such that apart from the portion of capital expenditure funded by part of the net proceeds from the Global Offering, we will only incur maintenance capital expenditure which is approximately the amount of our annual depreciation expenses.

### Contractual Obligations and Commercial Commitments

#### Capital commitments

As of December 31, 2008, 2009 and 2010, capital expenditures contracted for at the end of the reporting period but not yet incurred were as follows:

	As of December 31		
	2008	2009	2010
	(RMB in millions)		
Property, plant and equipment . . . . .	<u>30.1</u>	<u>—</u>	<u>2.5</u>

## FINANCIAL INFORMATION

### Operating lease commitments

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

	As of December 31		
	2008	2009	2010
	(RMB in thousands)		
No later than 1 year . . . . .	32	66	594
Later than 1 year and no later than 5 years . . . . .	—	115	1,701
	32	181	2,295

Beginning in 2010, we rented a building in Lhasa to be the factory producing our PET bottle preforms. As a result, our future aggregate minimum lease payments increased significantly in 2010.

### INDEBTEDNESS

#### Banking Facilities and Borrowings

Our borrowings including bank loans and other borrowings are set forth below for the periods presented:

Bank and other borrowings	As of December 31,			As of
	2008	2009	2010	April 30, 2011
	(RMB in millions)			
<b>Current</b>				
Current portion of long-term bank borrowings				
- secured . . . . .	—	—	—	—
Bank borrowings - secured . . . . .	115.6	9.0	—	—
Amount due to third parties in financing				
activities . . . . .	88.2	64.3	32.1	—
Amounts due to related parties . . . . .	6.9	21.4	63.4	22.7
<b>Non-current</b>				
Bank borrowings - secured . . . . .	—	70.0	—	—
<b>Total borrowings</b> . . . . .	210.7	164.7	95.5	22.7

As of December 31, 2010, we had RMB0 in outstanding bank borrowings. As of December 31, 2010, we did not maintain any credit facilities or bank borrowing facilities. Our Director confirm that, as of April 30, 2011, the most practicable date for the purpose of this confirmation, there has been no change in our indebtedness since December 31, 2010 other than disclosed above. As of April 30, 2011, our total borrowings amounted to RMB22.7 million.

## FINANCIAL INFORMATION

We also had amounts due to related parties and third parties in financing activities. For additional information, see “Financial Information — Discussion of Selected Statement of Financial Position Items — Trade Payables and Other Payables”. All amounts due to third parties were repaid by January 31, 2011, and all amounts due to related parties were settled prior to the Listing.

	As of December 31,			As of
	2008	2009	2010	April 30, 2011
	RMB in millions			
<b>Current assets</b>				
Inventories . . . . .	16.5	19.7	32.2	59.1
Trade receivables . . . . .	23.7	43.0	72.0	74.1
Prepayments . . . . .	2.4	4.8	16.7	19.7
Other receivables . . . . .	85.5	12.9	2.5	14.5
Restricted cash . . . . .	12.6	17.1	—	15.6
Cash and cash equivalents . . . . .	46.7	64.1	34.8	24.0
	187.4	161.6	158.2	207.0
<b>Current liabilities</b>				
Trade payables . . . . .	10.1	23.0	14.5	46.3
Borrowings . . . . .	115.6	9.0	—	—
Deferred revenue and advance received from customers . . . . .	14.9	20.7	26.1	27.2
Enterprise income tax payables . . . . .	0.7	1.2	—	3.8
Accruals and other payables . . . . .	113.2	123.2	124.6	38.9
	254.5	177.2	165.2	116.2
<b>Net current (liabilities)/assets . . . . .</b>	<b>(67.1)</b>	<b>(15.6)</b>	<b>(7.0)</b>	<b>90.8</b>

We reported net current liabilities of approximately RMB67.1 million, RMB15.6 million and RMB7.0 million, respectively, as of December 31, 2008, 2009 and 2010, which were mainly attributable to the borrowings we obtained and the amounts due to related parties which were paid to finance the purchase of our production facilities and equipment during our Track Record Period.

### Contingencies and Guarantees

As of December 31, 2010, we did not have any outstanding contingent liabilities or guarantees.

### Off-balance sheet transactions

In the ordinary course of business, we enter into operating lease commitments and capital commitments. These transactions are recognised in our financial statements in accordance with IFRS and are more fully disclosed herein. As of December 31, 2010, we had not entered into any other off-balance sheet transactions.

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## FINANCIAL INFORMATION

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### No other outstanding indebtedness

Save as aforesaid and apart from trade payables, notes payable and related parties and third parties liabilities, at the close of business on April 30, 2011, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities. We confirm we were not in breach of any covenants given in respect of any of the aforesaid bank borrowings as of the Latest Practicable Date, and there has not been any material change in our indebtedness and contingent liabilities since April 30, 2011.

### Major Financial Ratios

	Year ended December 31,		
	2008	2009	2010
ROA <sup>(1)</sup> . . . . .	3.3%	12.1%	26.4%
ROE <sup>(2)</sup> . . . . .	11.2%	34.0%	51.4%
Gearing ratio <sup>(3)</sup> . . . . .	49.5%	32.4%	0.0%
Current ratio <sup>(4)</sup> . . . . .	73.6%	91.2%	95.8%

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*Notes:*

- (1) Calculated using profit for the year/average total assets.
- (2) Calculated using attributable net profit/average equity attributable to shareholders.
- (3) Calculated using total interest-bearing borrowings divided by sum of total interest-bearing borrowings and total equity as of the end of year.
- (4) Calculated using current assets/current liabilities as of the end of year.

*Return on assets ratio* During the Track Record Period, the return on assets ratio increased mainly due to an increase in the profit we recorded for the period.

*Return on equity ratio* During the Track Record Period, the return on equity ratio increased as a result of our increase in the profit we recorded for the period.

*Gearing ratio* During the Track Record Period, the gearing ratio decreased primarily due to the profitability and cash inflow from operations which increased the owner's equity and enabled the repayment of the borrowings.

*Current ratio* During the Track Record Period, the current ratio increased primarily due to our increase in current assets as a result of the increasing revenue and the gradually settled current liabilities.

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## FINANCIAL INFORMATION

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### Capital Leases

As of December 31, 2010, we did not have any capital leases.

### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

#### Foreign Exchange Risk

The functional currency of a majority of the entities within the Group is RMB and most of the transactions are settled in RMB. However, the Group is exposed to foreign exchange risk arising from its purchases of machinery and equipment from overseas suppliers, which are primarily denominated in the US dollar and Euro.

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

As of December 31, 2008, 2009 and 2010, if RMB had weakened/strengthened by 5% against US dollar with all other variables held constant, the post-tax profit for the year would have been approximately RMB47,000, RMB1,033,000 and RMB1,002,000 lower/higher respectively, mainly as a result of foreign exchange losses/gains on translation of US dollar denominated cash and cash equivalents, and trade and other payables; no other components of equity for the years and period would have been changed.

As of December 31, 2008, 2009 and 2010, if RMB had weakened/strengthened by 5% against Euro with all other variables held constant, the post-tax profit for the year would have been approximately nil, RMB665,000 and RMB1,446,000 lower/higher respectively, mainly as a result of foreign exchange losses/gains on translation of Euro denominated trade and other payables; no other components of equity for the years and period would have been changed.

As of December 31, 2008, 2009 and 2010, if RMB had weakened/strengthened by 5% against Yen with all other variables held constant, the post-tax profit for the year would have been approximately nil, nil and RMB606,000 lower/higher respectively, mainly as a result of foreign exchange losses/gains on translation of Yen denominated accruals and other payables; no other components of equity for the years and period would have been changed.

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## FINANCIAL INFORMATION

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### Interest Rate Risk

The Group's interest rate risk arises from borrowings. All borrowings are issued at fixed rates and expose the Group to fair value interest rate risk. During the year ended December 31, 2008, 2009 and 2010, the Group's borrowings at fixed rate were denominated in RMB.

As of December 31, 2008, 2009 and 2010, if interest rates on fixed rate borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately RMB1,020,000, RMB921,000 and RMB705,000 lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

### Credit Risk

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

Substantially all of the Group's cash and cash equivalents, and restricted cash are held in major financial institutions located in the PRC, which management believes are of high credit quality. There was no recent history of default of cash and cash equivalents, and restricted cash from such financial institutions/authority.

The Group's revenue mainly derived from a single external customer as a result of sales of goods, and the trade receivable due from this customer is approximately RMB9,208,000, RMB18,046,000 and RMB61,226,000, comprising 38.8%, 42.0% and 85.0% of the balances of the Group's trade receivables as of December 31, 2008, 2009 and 2010, respectively. The Group has set up long-term cooperative relationship with this customer by entering into "get one free - buy one" agreement. In view of the history of business dealings made with the customer and the sound collection history of the receivables due from it, management believes that there is no material credit risk inherent in the Groups outstanding receivable balance due from this customer. The Group's other trade receivable balances are mainly due from third party customers and related parties as a result of sales of goods. The Group's other receivables are mainly due from third parties and related parties. The Group performs ongoing credit evaluations of the financial condition of its customers/debtors on an individual basis, taking into accounts their financial position, past experience and other factors, and generally does not require collateral from the customers/debtors' account on the outstanding balances. Based on the expected realisation and timing for collection of the outstanding balances, the Group maintains a provision for doubtful accounts and actual losses incurred have been within management's expectation, and management believes that there is no material credit risk inherent in the Group's outstanding receivable balances.

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

With the consideration of the above, the directors of the Group believe that there is no significant credit risk inherent in the Group's business during the Track Record Period.



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## FINANCIAL INFORMATION

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### Liquidity Risk

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

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

The Group reported net current liabilities of approximately RMB67,074,000, RMB15,599,000 and RMB7,020,000 as of December 31, 2008, 2009 and 2010. The directors of the Group have undertaken the following actions and procedures to mitigate the liquidity risks of the Group, including:

- (i) Maintain and generate stable operating cash inflow from its profitable operations; and
- (ii) Undertake a close monitoring process to control the magnitude and timing of the expected cash outlays associated with the expected capital expenditures to be incurred in 2011 and arrange new bank facilities to finance them.

The directors are of the view that these measures would be adequate to contain the liquidity risk at an acceptable level.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>
	(RMB in millions)	
<b>As of December 31, 2008</b>		
Borrowings (excluding interests) . . . . .	115.6	—
Trade payables . . . . .	10.1	—
Accrual and other payables . . . . .	110.1	—
<b>As of December 31, 2009</b>		
Borrowings (excluding interests) . . . . .	9.0	70.0
Trade payables . . . . .	23.0	—
Accrual and other payables . . . . .	114.6	—
<b>As of December 31, 2010</b>		
Borrowings (excluding interests) . . . . .	—	—
Trade payables . . . . .	14.5	—
Accrual and other payables . . . . .	124.1	—

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## FINANCIAL INFORMATION

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### DISTRIBUTABLE RESERVES

As of December 31, 2010, the Company had distributable reserves of RMB0 due to the fact that it had not been involved in any significant business transactions since its date of incorporation to December 31, 2010.

### Unaudited pro forma adjusted net tangible assets

The following unadjusted pro forma adjusted net tangible assets information prepared in accordance with paragraph 4.29 of the Listing Rules is for illustrative purposes only, and is presented to illustrate the effect of the Global Offering on our combined net tangible assets as of December 31, 2010 as if the Global Offering had taken place on such date.

The unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our net tangible assets of our Group as at December 31 2010 or at any future dates following the completion of the Global Offering. The unaudited pro forma adjusted net tangible assets is based on our audited combined net tangible assets of our Group attributable to our equity holders as at December 31 2010, as shown in the Accountant's Report of our Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets attributable to equity holders of our Company as at December 31 2010 <sup>(1)</sup>	Estimated net proceeds from the Global Offering <sup>(2)</sup>	Unaudited pro forma adjusted net tangible assets attributable to equity holders of our Company	Unaudited pro forma adjusted net tangible assets per Share <sup>(3)</sup>	
	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on an Offer Price of HK\$2.62 per Share . . . . .	283,091	919,447	1,202,538	0.48	0.58
Based on an Offer Price of HK\$3.50 per Share . . . . .	283,091	1,246,272	1,529,363	0.61	0.73

*Notes:*

- (1) The audited combined net tangible assets of our Group attributable to equity holders of our Company as at December 31 2010 has been extracted from the Accountant's Report of our Company as set out in Appendix I to this Prospectus which is based on the audited combined net assets of our Group attributable to equity holders of our Company as at December 31, 2010 of RMB283,091,000.

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## FINANCIAL INFORMATION

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- (2) The estimated net proceeds from the Global Offering are based on the Offer Price range of HK\$2.62 per Share and HK\$3.50 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by our Company. No account has been taken of the Shares that may be allotted and issued upon the exercise of the Over-allotment Option or any shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 2,500,000,000 Shares were in issue assuming that the Global Offering had been completed on December 31, 2010 but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate.
- (4) By comparing the valuation of our Company's property interests of RMB39,098,000 as set out in Appendix IV to this Prospectus and the unaudited net book value of these properties as at March 31, 2011, the net revaluation surplus is approximately RMB3,947,000, which has not been included in the above net tangible assets attributable to equity holders of our Company as at December 31, 2010. The revaluation of the Group's property interests will not be incorporated in the Group's financial information. If the revaluation surplus was to be included in the Group's financial information, an additional depreciation charge of approximately RMB130,000 per annum related to buildings and land use rights would be recorded.
- (5) No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to December 31, 2010.
- (6) For the purpose of the estimated net proceeds from the Global Offering, the translation of Renminbi into HK dollars was made at the PBOC rate of HK\$1.00 to RMB0.8337 prevailing on June 13, 2011.

### Property Valuation

The Property Valuer has valued our property interests as of March 31, 2011. See Appendix IV to this prospectus. The table below sets forth the reconciliation of the net book value of our property interests as of December 31, 2010, as included in our audited combined financial statements in Appendix I to this prospectus, to the capital value of our property interests as of March 31, 2011, as included in the property valuation report in Appendix IV to this prospectus:

	<b>RMB'000</b>
Net book value of property interests as of December 31, 2010 (audited) <sup>(a)</sup> . . . . .	35,486
Movement from January 1, 2011 to March 31, 2011 (unaudited) . . . . .	<u>(335)</u>
Net book value of property interests as of March 31, 2011 (unaudited) . . . . .	35,151
Valuation surplus . . . . .	<u>3,947</u>
Capital value of property interests as of March 31, 2011 <sup>(b)</sup> . . . . .	<u><u>39,098</u></u>

(a) As of December 31, 2010, the net book value of property interests represented net book amount of buildings of RMB34,189,000 and net book value of land use rights of RMB1,297,000. See Note 9 and 8 to the Accountant's Report included in Appendix I to this prospectus.

(b) Consisting of (i) RMB 20,856,000 in capital value of property interests with respect to properties with valid title certificates as of March 31, 2011, and (ii) RMB18,242,000 in capital value of property interests with respect to properties without valid title certificates as of March 31, 2011. The Property Valuer attributed no commercial value to the properties without valid title certificates. However, for reference purpose, the Property Valuer is of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB 18,242,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred. For more information, please refer to Appendix IV to this prospectus.

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## FINANCIAL INFORMATION

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### DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, they are not aware of any circumstances that would give rise to the disclosure requirement under Rules 13.13 to Rule 13.19 of the Hong Kong Listing Rules had the shares been listed on the Hong Kong Stock Exchange.

### PROFIT FORECAST

All statistics in this table are based on the assumptions that the Over-allotment Option is not exercised.

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Forecast consolidated profit attributable to equity holders of the Company <sup>(1)(2)</sup> . . . . .	not less than RMB370.5 million (HK\$444.4 million)
Unaudited pro forma forecast earnings per share <sup>(2)(3)</sup> . . . . .	not less than RMB0.15 (HK\$0.18)

*Notes:*

- (1) The bases and assumptions on which the above profit forecast has been prepared are set out in Appendix III to this prospectus. A government grant of RMB142.3 million has been included in the profit forecast, which is expected to amount to approximately 32.6% of our forecasted consolidated profit in 2011 after taking into account the income tax effect on the government grant.
- (2) Forecast consolidated profit attributable to equity holders of our Company for the year ending December 31, 2011 and unaudited pro forma forecast earnings per Share are converted into Hong Kong dollars at the PBOC rate of RMB0.8337 to HK\$1.00 prevailing on June 13, 2011.
- (3) The calculation of unaudited pro forma forecast earnings per Share is based on the forecast consolidated profit attributable to equity shareholders of our company for the year ending December 31, 2011, assuming that we had been listed since January 1, 2011 and a total of 2,500,000,000 Shares had been issued and outstanding during the entire year.

The forecast is presented on a basis consistent in all material respects with the accounting policies currently adopted by us as set out in the Accountant's Report dated June 20, 2011 (the text of which is set out in Appendix I — "Accountant's Report" to this prospectus).

### *Sales to CRE*

Although our sales to CRE is forecasted to increase by 66% from 2010 to 2011, we expect our sales to CRE to represent only 59% of our forecasted turnover in 2011, compared to approximately 80.5% of our turnover in 2010, which demonstrates a reduction in our reliance on CRE as a result of our efforts to develop other sales channels such as sales to other institutional purchasers. In 2011, we entered into strategic relationships with more institutional purchasers other than CRE, and as a result, the portion of our turnover generated from CRE has decreased while our total turnover has increased. Going forward, we intend to continue adopting the strategy of customer diversification to reduce our reliance on CRE.

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## FINANCIAL INFORMATION

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### *PET Price*

The following table illustrates the sensitivity of the estimated net profit attributable to our equity holder in 2011 when there is a change in the price of PET:

#### Unit in RMB'000

% Change in PET price . . .	-15%	-10%	-5%	0%	5%	10%	15%
2011 Net Profit . . . . .	384,634	379,913	375,192	370,471	365,750	361,029	356,308
Change in Net Profit . . . . .	14,163	9,442	4,721	0	-4,721	-9,442	-14,163
% Change in Net Profit . . .	3.8%	2.5%	1.3%	0.0%	-1.3%	-2.5%	-3.8%

On a pro forma basis and on the assumption that the Global Offering had been completed and a total of 2,500,000,000 Shares were in issue throughout the year ending December 31, 2011, our pro forma forecast earnings per share is HK\$0.18 assuming an Offer Price at the mid-point price of the indicative Offer Price range.

### **DIVIDEND POLICY**

We have paid RMB0 in dividends over the Track Record Period, and we currently do not plan to pay any dividends out of our retained earnings as of the year ended December 31, 2010. With respect to retained earnings accrued after such date, the Board may declare dividends after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law, including the approval of our shareholders. Our future declarations of dividends may not reflect our declarations of dividends in previous periods and will be at the discretion of the Board.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries and associated companies in China. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign-invested enterprises, such as some of our subsidiaries in China, to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries and associated companies may also be restricted if they incur debt or losses or in accordance with any, restrictive covenants in bank credit facilities, convertible bond instrument or other agreements that we or our subsidiaries and associated companies may enter into in the future.

Subject to the factors above, we plan to distribute regular dividends after listing on the Hong Kong Stock Exchange. We currently do not intend to distribute dividend to our shareholders in respect of the year ended December 31, 2011.

### **NO MATERIAL CHANGE**

There has been no material adverse change in our financial or trading position since December 31, 2010.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

See “Our Business — Our Strategies” for a detailed description of our future plans.

### USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$1,298.9 million after deducting the underwriting fees and expenses payable by us in the Global Offering, assuming no Over-allotment Option is exercised and an Offer Price of HK\$3.06 per Share, being the mid-point of the indicative Offer Price range of HK\$2.62 to HK\$3.50 per Share in this prospectus.

We intend to use the net proceeds we will receive from this offering for the following purposes:

- approximately 30%, or approximately HK\$389.7 million, will be used to expand our production capacity by constructing additional facilities and purchasing additional production equipment. We plan to expand our production capacity by 200,000 tonnes. Specifically, we plan to a) expand the production capacity for 330ml PET bottled water by 100,000 tonnes; b) install a production facility for 330ml glass bottled water with an annual production capacity of 20,000 tonnes; and c) install a production facility for 1.5L glass bottled water with an annual production capacity of 80,000 tonnes. We engaged a qualified independent third party to conduct a feasibility study in February 2011, the conclusion of which indicated that such expansion plan is feasible. The new production facility will be built next to our existing production facility at Dangxiong County, Tibet. We have obtained land use rights for 50 years for 106,774 square meters of land surrounding the spring where our existing production facility is located. We believe we have sufficient land for our planned production expansion. The expansion of production capacity to 207,900 tonnes during the first half of 2011 is sufficient to meet the demand of bottled water in 2011, which includes 150,000 tonnes ordered from CRE under our buy-one-get-one-free arrangement. We also plan to install other production lines by the end of 2012. However, further expansion of the production lines will be mainly driven by future sales and market demand growth, in particular, the increasing sales order from institutional purchasers and retail customers other than CRE, as the demand from CRE will remain at 150,000 tonnes each year from 2011 to 2013 under our strategic agreement.
- approximately 25%, or approximately HK\$324.7 million, will be used to expand our distribution network and toward promotional activities;
- approximately 35%, or approximately HK\$454.6 million, will be used for mergers and acquisitions that complement our existing business. We have been considering a number of potential merger and acquisition opportunities in order to acquire new water sources, but we have not engaged in formal negotiation with any potential acquisition targets; and
- approximately 10%, or approximately HK\$129.9 million, will be used for working capital and other general corporate purposes.

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## FUTURE PLANS AND USE OF PROCEEDS

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In the event that the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds from the sale of these additional Offer Shares of approximately HK\$204.5 million, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the same initial public Offer Price as stated above. We intend to apply the additional net proceeds to the above uses on a pro rata basis.

In the event that the Offer Price is set at the low end of the proposed Offer Price range and the Over-allotment Option is not exercised at all, our Company will receive net proceeds of approximately HK\$1,102.9 million. Under such circumstances, the net proceeds allocated to the above uses will be adjusted on a pro rata basis. In the event that the Offer Price is set at the high-end of the proposed Offer Price range and the Over-allotment Option is exercised in full, our Company will receive net proceeds of approximately HK\$1,728.7 million. The additional net proceeds of approximately HK\$625.8 million (when compared to the net proceeds to our Company with the Offer Price being determined at the low end of the stated range and assuming the Over-allotment Option is not exercised) will be used for the above uses on a pro rata basis.

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above, they will be placed on deposit with banks or other financial institutions or held in other treasury instruments.

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## UNDERWRITING

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### UNDERWRITERS

#### **Hong Kong Underwriters**

J.P. Morgan Securities (Asia Pacific) Limited  
CCB International Capital Limited  
ICBC International Securities Limited  
CITIC Securities Corporate Finance (HK) Limited  
Oriental Patron Securities Limited  
First Shanghai Securities Limited

#### **International Underwriters**

J.P. Morgan Securities Ltd.  
CCB International Capital Limited  
ICBC International Securities Limited  
CITIC Securities Corporate Finance (HK) Limited  
Oriental Patron Securities Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### **Hong Kong Public Offer**

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 45,930,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of Hong Kong Public Offer at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of Hong Kong Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offer on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated.



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## UNDERWRITING

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### *Grounds for Termination*

The obligations of the Hong Kong Underwriters to subscribe or procure subscriptions for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination if, at any time prior to 8:00 a.m. on the Listing Date:

- (a) either (i) there has been a breach of any of the representations, warranties, undertakings or provisions of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by the Warrantors or (ii) any of the representations, warranties and undertakings given by the Warrantors in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect or misleading in any respect;
- (b) any statement contained in this prospectus, the Application Forms or the Formal Notice or any announcement, circular, document, material or information issued by our Company in connection with the Hong Kong Public Offer (including any supplement or amendment thereto) was or has become or been discovered to be untrue, incorrect or misleading in any material respect, or any forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the Application Forms or the Formal Notice are not, in all material respects, fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole;
- (c) any matter that has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitute an omission therefrom;
- (d) any of our reporting accountants, our property valuer, technical expert, industry expert or any of our counsels has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;
- (e) approval in principle from the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the Offer Shares, including any additional Shares sold pursuant to the exercise of the Over-allotment Option, and the Shares in issue, is refused or not granted, on or before the listing approval date, or if granted, the approval is subsequently withdrawn, qualified or withheld;
- (f) our Company withdraws any of this prospectus, the Application Forms, the preliminary offering circular, the final offering circular or the Global Offering;
- (g) the Stock Borrowing Agreement is not duly authorised, executed and delivered or it is terminated; or

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## UNDERWRITING

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- (h) there will have developed, occurred, happened or come into effect any change or development involving a prospective change or development, or any event or series of events, matters or circumstances likely to result in or representing a change or development, or prospective change or development, concerning or relating to:
- (1) any local, national, regional or international financial, political, economic, legal, military, industrial, fiscal, regulatory, currency or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets and interbank markets, any monetary or trading settlement system, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies) in or affecting Hong Kong, Canada, the PRC, the United States, the United Kingdom, Japan, the European Union (or any member thereof) or any other relevant jurisdiction;
  - (2) any new law or regulation or any change in any existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, Canada, the PRC, the United States, the United Kingdom, Japan, the European Union (or any member thereof) or any other relevant jurisdiction;
  - (3) (A) any event or series of events in the nature of force majeure (including, without limitation, acts of government, economic sanctions, strikes or lock-outs (whether or not covered by insurance), riots, fire, explosion, flooding, earthquakes, tsunami, civil commotion, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, outbreak of infectious disease, accident or interruption or delay in transportation), or (B) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other declaration of a national or international state of emergency or other calamity or crisis, in the case of either (A) or (B), affecting Hong Kong, Canada, the PRC, the United States, the United Kingdom, Japan, the European Union (or any member thereof) or any other relevant jurisdiction;
  - (4) the imposition of economic sanctions, or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any relevant jurisdiction;
  - (5) (A) any suspension or limitation on trading in shares or securities generally on the Hong Kong Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the NASDAQ Stock Market, the Tokyo Stock Exchange or the London Stock Exchange or minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority or (B) a general moratorium on commercial banking activities in Hong Kong, the Cayman Islands, Canada, the PRC, New York or London, declared by the relevant authorities, or a material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, in the case of either (A) or (B), in or affecting Hong Kong, Canada, the PRC, the United States, the United Kingdom, Japan, the European Union (or any member thereof) or any other relevant jurisdiction;

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## UNDERWRITING

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- (6) any taxation or any exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment regulations in Hong Kong, the Cayman Islands, Canada, the PRC, the United States, the United Kingdom, Japan, the European Union (or any member thereof) or any other relevant jurisdiction adversely affecting an investment in the Shares;
- (7) any litigation or claim being threatened or instigated against any member of our Group or any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political or regulatory body of any investigation or action against any executive Director in his or her capacity as such or an announcement by any governmental, political or regulatory body that it intends to take any such action;
- (8) any contravention by any member of the Group of the Companies Ordinance or any of the Listing Rules or any other applicable laws;
- (9) any event, act or omission which gives or is likely to give rise to any liability of any of the Warrantors pursuant to the indemnities given by them under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;
- (10) any breach of any of the obligations of the Warrantors under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;
- (11) the issue or requirement to issue by our Company of a supplement or amendment to the prospectus, Application Forms, preliminary or final offering circular pursuant to the Companies Ordinance or the Listing Rules or any requirement of the Hong Kong Stock Exchange or the SFC;
- (12) any of the risks or the materialisation of any of the risks set out in the section headed “Risk Factors” in this prospectus;
- (13) any demand by creditors for repayment of indebtedness of the Company or any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity or a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group;
- (14) any of the business, assets, liabilities, conditions (financial or otherwise), results of operations, affairs, prospects, profits, losses or the financial or trading position or performance or management of our Company or any member of our Group;

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## UNDERWRITING

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- (15) the chairman or chief executive officer of the Company vacating his or her office; or a prohibition on the Company for whatever reason from allotting or selling the Offer Shares (including the Over-allotment Option Shares) pursuant to the terms of the Global Offering; or the prospectus (or any other documents used in the connection with the contemplated subscription and sale of the Offer Shares or any aspect of the Global Offering) or non-compliance by any of the Warrantors with the Listing Rules or any other applicable Laws; or

and which, with respect to any of clauses (1) through (15) above, individually or in the aggregates, in the absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters):

- (A) is, will be or may be adverse to the general affairs, management, business or financial or trading position or prospects of our Company or our Group as a whole or to any present or prospective Shareholders of our Company in its capacity as such; or
- (B) has, will have or may have an adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or dealings in the Shares in the secondary market and/or make it impracticable, inadvisable or inexpedient for any material part of the Hong Kong Underwriting Agreement, the International Underwriting Agreement, the Hong Kong Public Offer or the International Placing to be performed or implemented as envisaged; or
- (C) makes or may make it impracticable, inadvisable or inexpedient to proceed with or to market the Hong Kong Public Offer and/or the International Placing or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms, the Formal Notice or the offering circulars; or
- (D) would have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof,

then the Joint Bookrunners, in their sole and absolute discretion, may, on behalf of the Hong Kong Underwriters, terminate the Hong Kong Underwriting Agreement with immediate effect.

### *Undertakings*

Pursuant to Rule 10.08 of the Listing Rules, no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in certain prescribed circumstances.

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## UNDERWRITING

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Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters that, except pursuant to the Global Offering we will not, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters),

(A) at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date:

- (i) offer, accept subscription for, assign pledge, charge, mortgage, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, or create any encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any of its share capital or other securities or any interests therein (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for or that represent the right to receive such share capital or other securities or any interests therein (the “Held Interests”), or deposit any such held interest with a depository in connection with the issues of depository receipts;
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Held Interests;
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer to or agree or contract to, or publicly announce any intention to enter into, any transaction described in (i), (ii) or (iii) above, in each case whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of such held interests, in cash or otherwise (whether or not the issue of such Held Interest will be completed within the First Six-Month Period); or

(B) any time during the six-month period immediately following the First Six-Month Period (the “Second Six-Month Period”), enter into any transaction described in (i), (ii) or (iii) above, or offer to agree or contract to or announce any intention to enter into any such transaction, if immediately following such transaction, any Controlling Shareholder, directly or indirectly, would cease to be a controlling shareholder of the Company; until the expiry of the Second Six-Month Period, in the event the Company enters into any of the transactions specified in this (B) or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market for the Shares or other securities of the Company.

Similar undertakings are expected to be given by us to the International Underwriters under the International Underwriting Agreement.

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## UNDERWRITING

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Each of our Controlling Shareholders has undertaken with the Joint Global Coordinators and the Underwriters that, except pursuant to (A) the Global Offering, (B) the Over-allotment Option or (C) if applicable, stock borrowing arrangements that may be entered into with the Stabilizing Manager (or its agent), each of Controlling Shareholders will not, without the prior written consent of the Joint Global Coordinators (on behalf of the Underwriters), (A) at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months from Listing Date (the “First Six Month Period”):

- (i) offer, accept subscription for, pledge, charge, mortgage, allot, issue or sell, assign, contract to allot, issue or sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, or create any encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any of the Company’s share capital or other securities or any interest therein (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for or that represent the right to receive or purchase such share capital or other securities or any interests therein whether now owned or hereinafter acquired, owned directly or indirectly by such Controlling Shareholder (including holding as a custodian) or with respect to which such Controlling Shareholder has beneficial ownership (collectively the “Controlling Shareholder Lock-Up Shares”), or deposit any Controlling Shareholder Lock-up Shares with a depository in connection with the issue of depository receipts (the foregoing restriction is expressly agreed to preclude such Controlling Shareholder from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of such Controlling Shareholder Lock-Up Shares even if such Shares would be disposed of by someone other than such Controlling Shareholder). Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Controlling Shareholder Lock-Up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares);
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such Controlling Shareholder Lock-up Shares;
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer or agree or contract, or publicly announce any intention to enter into, any transaction described in (i), (ii) or (iii) above, in each case whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise (whether or not the sale of such shares or other securities will be completed with the First Six-Month Period); or

(B) at any time during the Second Six Month Period, enter into any of the transactions specified in (A) (i), (ii) or (iii) above or offer to or agree to or announce any intention to

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## UNDERWRITING

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effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of the Company; and until the expiry of the Second Six Month Period, in the event that it enters into any of the transactions specified in (A) (i), (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

Each of the Controlling Shareholders may transfer the share capital of our Company to any wholly-owned subsidiary of such Controlling Shareholders subject to certain restrictions.

In accordance with Rule 10.07(1)(a) of the Listing Rules, each of our Controlling Shareholders has undertaken to Hong Kong Stock Exchange that except pursuant to the Global Offering or the Over-allotment Option, (i) it will not, at any time during the period commencing from the date of this prospectus, and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; and (ii) it will not, at any time during the period of six months from the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of our Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would then cease to be the controlling shareholder (as defined under the Listing Rules) of our Company.

Note (2) of Rule 10.07 of the Listing Rules provides that the rule does not prevent a controlling shareholder (as defined under the Listing Rules) from using the shares owned by it as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

Each of our Controlling Shareholders has further undertaken to Hong Kong Stock Exchange that it will, within a period of 12 months from the Listing Date, immediately inform us and Hong Kong Stock Exchange of:

- (a) any pledges or charges of any Shares or securities of our Company beneficially owned by it in favor of any authorized institution as permitted under the Listing Rules, and the number of such Shares or securities of our Company so pledged or charged; and
- (b) any indication received by he/it, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such Shares or other share capital will be sold, transferred or disposed of.

We will also inform Hong Kong Stock Exchange as soon as we have been informed of the above matters (if any) by each of our Controlling Shareholders or their shareholders and disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible after being so informed by such a Controlling Shareholder or its shareholders.

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## UNDERWRITING

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### **International Placing**

#### ***International Underwriting Agreement***

In connection with the International Placing, our Company expects to enter into the International Underwriting Agreement with the International Underwriters and the other parties thereto. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Placing Shares or procure purchasers for the International Placing Shares. The International Underwriting Agreement is expected to provide that it may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors will be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. It is expected that pursuant to the International Underwriting Agreement, our Company will give undertakings similar to those given pursuant to the Hong Kong Underwriting Agreement as described in “— Underwriting Arrangements and Expenses — Public Offer— Undertakings.”

Under the International Underwriting Agreement, the Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable on behalf of the International Underwriters, at any time and from time to time from the Listing Date, up to (and including) the date which is the 30th day after the last date for the lodging of Application Forms under the Hong Kong Public Offer, to sell up to an aggregate of 68,893,000 Shares, representing in aggregate approximately 15% of the number of Offer Shares initially available under the Global Offering. These Shares will be sold at the Offer Price.

It is expected that each of our Controlling Shareholders will undertake to the International Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of the Shares held by them in our Company for a period similar to such undertakings given by it pursuant to the Hong Kong Underwriting Agreement, which is described in “— Underwriting Arrangements and Expenses — Public Offer — Undertakings”.

#### **Underwriting Commission and Expenses**

The Hong Kong Underwriters will receive a gross commission of 3% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters. The commissions payable to the Underwriters will be borne by our Company in relation to the new Shares to be issued in relation to the Global Offering.

#### **Hong Kong Underwriters’ Interests in our Company**

Save as disclosed in this prospectus and other than pursuant to the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding in any member of our Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Company.



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## UNDERWRITING

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Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

### **INDEPENDENCE OF THE JOINT SPONSORS**

CCBI, through its indirect wholly-owned subsidiary, Bai Jun, will hold approximately 6.53% of the issued share capital of the Company immediately following completion of the Capitalization Issue and the Global Offering and assuming the Over-allotment Option is not exercised. CCBI is the holding company of CCB International Capital Limited. Accordingly, CCB International Capital Limited does not satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ICBCI Holdings, through its indirect wholly-owned subsidiary, Victory Ride, has entered into a strategic investment agreement with our Company on November 19, 2010 and will hold approximately 2.69% interest in our Company immediately following completion of the Capitalization Issue and the Global Offering and assuming the Over-allotment Option is not exercised. ICBCI Holdings has entered into a strategic cooperative agreement with our Group in March 2011 in promoting and marketing the our product brand. As such, ICBCI Capital does not satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Save as disclosed above, each of the other Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offer as part of the Global Offering. J.P. Morgan Securities (Asia Pacific) Limited and CCB International Capital Limited are the Joint Global Coordinators and J.P. Morgan Securities (Asia Pacific) Limited, CCB International Capital Limited, ICBC International Capital Limited and CITIC Securities Corporate Finance (HK) Limited are the Joint Sponsors of the Global Offering.

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

- (i) the Hong Kong Public Offer of 45,930,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below under the section headed “— The Hong Kong Public Offer;” and
- (ii) the International Placing of 413,360,000 Shares (subject to adjustment as mentioned below) outside the United States in accordance with Regulation S.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offer or indicate an interest, if qualified to do so, for the International Placing Shares under the International Placing, but may not do both. The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of the International Placing Shares to institutional and professional investors and other investors expected to have a sizeable demand for the International Placing Shares in Hong Kong and other jurisdictions outside the United States in accordance with Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Placing Shares. Prospective investors will be required to specify the number of International Placing Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Hong Kong Offer Shares and International Placing Shares to be offered under the Hong Kong Public Offer and the International Placing respectively may be subject to reallocation as described in the section headed “— Pricing and Allocation.”

### PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around June 23, 2011 and in no event later than June 27, 2011. The Offer Price will be not more than the maximum Offer Price as stated in the Application Forms.

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Bookrunners (on behalf of the Underwriters and with our consent) considers the number of Offer Shares being offered under the Global Offering that is stated in this prospectus and/or if appropriate, the indicative Offer Price range that is stated in the Application Forms may be reduced at any time on or prior to the morning of the last day for lodging

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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applications under the Hong Kong Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer on June 23, 2011 cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” in this prospectus and any other financial information which may change as a result of such reduction. Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of any notice being published of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range stated in this prospectus and the Application Forms, respectively, on or before the last day for lodging applications under the Hong Kong Public Offer, the Offer Price, if agreed upon, will under no circumstances be higher than the maximum Offer Price as stated in the Application Forms.

The Hong Kong Offer Shares and the International Placing Shares may, in certain circumstances, be reallocated as between the Hong Kong Public Offer and International Placing at the discretion of the Joint Global Coordinators.

Allocation of the International Placing Shares pursuant to the International Placing will be determined by Joint Global Coordinators and the Company and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Offer Shares after the listing of the Shares on the Hong Kong Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its shareholders as a whole.

Allocation of Hong Kong Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The applicable Offer Price, level of applications in the Hong Kong Public Offer, the level of indications of interest in the International Placing, the results of applications and basis of allotment of the Hong Kong Offer Shares are expected to be announced on June 29, 2011 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our website at [www.5100.net](http://www.5100.net) and the website of Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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### CONDITIONS TO THE HONG KONG PUBLIC OFFER

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offer will be conditional on:

- the Listing Committee of Hong Kong Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (subject only to allotment and dispatch of the Share certificates in respect thereof and such other normal conditions acceptable to the Company and the Joint Global Coordinators, on behalf of the Underwriters) not later than June 29, 2011 (or such later date as the Company and the Joint Global Coordinators, on behalf of the Hong Kong Underwriters, may agree) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Offer Shares on Hong Kong Stock Exchange;
- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Global Coordinators, on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If for any reason, the Offer Price is not agreed by June 27, 2011 between Joint Bookrunners (on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and Hong Kong Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offer to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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Share certificates for the Offer Shares are expected to be issued on June 29, 2011 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our Shares, which is expected to be on June 30, 2011, if (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offer — Grounds for Termination” in this prospectus has not been exercised.

### THE HONG KONG PUBLIC OFFER

Our Company is offering 45,930,000 Shares at the Offer Price under the Hong Kong Public Offer, representing 10% of the 459,290,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offer will represent 1.8% of our total issued share capital immediately after completion of the Global Offering. In Hong Kong, individual retail investors are expected to apply for Hong Kong Offer Shares through the Hong Kong Public Offer and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Placing Shares will not be allotted International Placing Shares in the International Placing.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offer, to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offer and to ensure that it is excluded from any application for Hong Kong Offer Shares.

The Offer Price will be not more than the maximum offer price as stated in the Application Forms. Applicants under the Hong Kong Public Offer are required to pay, on application, the maximum Offer Price of HK\$3.50 per Share plus brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%. If the Offer Price, as finally determined on the Price Determination Date, is lower than the maximum Offer Price, we will refund the respective difference (including the brokerage, the SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

For allocation only, the 45,930,000 Shares initially being offered for subscription under the Hong Kong Public Offer will be divided equally (to the nearest board lot) into two pools: Pool A comprising 22,965,000 Hong Kong Offer Shares and Pool B comprising 22,965,000 Public Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications within either pool or between the pools and any application for more than 50% of the 45,930,000 Shares initially comprised in the Hong Kong Public Offer (that is 22,965,000 Hong Kong Offer Shares) are liable to be rejected. Each applicant under the Hong Kong Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Placing, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The allocation of Shares between the Hong Kong Public Offer and the International Placing is subject to adjustment. If the number of Shares validly applied for in the Hong Kong Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares available under the Hong Kong Public Offer, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offer will be increased to 137,788,000, 183,716,000 and 229,646,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and such reallocation being referred to in this prospectus as "Mandatory Reallocation." In such cases, the number of Shares allocated in the International Placing will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate, and such additional Shares will be allocated to Pool A and Pool B.

If the Hong Kong Offer Shares are not fully subscribed, the Joint Global Coordinators has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Joint Global Coordinators deems appropriate. In addition to any Mandatory Reallocation which may be required, the Joint Global Coordinators may, at its discretion, reallocate Shares initially allocated for the International Placing to the Hong Kong Public Offer to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offer, regardless of whether the Mandatory Reallocation is triggered. References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offer.

### THE INTERNATIONAL PLACING

The number of International Placing Shares to be initially offered for subscription under the International Placing will be 413,360,000 Shares, representing 90% of the Offer Shares under the Global Offering.

Pursuant to the International Placing, the International Underwriters will conditionally place the Shares with institutional and professional investors and other investors expected to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in accordance with Regulation S. The International Placing is subject to the Hong Kong Public Offer being unconditional.

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## **STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING**

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The Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time and from time to time from the Listing Date, up to (and including) the date which is the 30th day after the last day for lodging of Application Forms under the Hong Kong Public Offer. A press announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, the Company may be required to sell up to 68,893,000 Shares, representing 15% of the maximum number of Offer Shares initially available under the Global Offering, at the Offer Price.

### **STOCK BORROWING AGREEMENT**

The Stabilizing Manager or any person acting for it may choose to borrow Shares from Water Resources, under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with Water Resources will only be effected by the Stabilizing Manager for settlement of over-allocations in the International Placing and covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares borrowed from Water Resources under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Water Resources or its nominees on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, or (ii) the day on which the Over-allotment Option is exercised in full;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- no payment will be made to Water Resources by the Stabilizing Manager or its authorized agents in relation to such stock borrowing arrangement.

### **OVER-ALLOCATION AND STABILIZATION**

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, the price at which stabilization is effected is not permitted to exceed the offer price.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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In connection with the Global Offering, J.P. Morgan Securities Ltd., as Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Hong Kong Public Offer. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 68,893,000 Shares, which is approximately 15% of the Offer Shares initially available under the Global Offering. Stabilizing action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization and stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules under the SFO includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on July 23, 2011, being the 30th day after the last date for lodging applications under the Hong Kong Public Offer. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and



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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period. In connection with the Global Offering, the Stabilizing Manager may over-allocate up to and not more than an aggregate of 68,893,000 Shares and cover such over-allocation by (amongst other methods) exercising the Over-allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

### DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on June 30, 2011, it is expected that dealings in Shares on Hong Kong Stock Exchange will commence at 9:00 a.m. on June 30, 2011.

### UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Bookrunners (on behalf of the Underwriters) and our Company on the Price Determination Date.

We expect that our Company will, on or about June 23, 2011, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Placing.

Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed “Underwriting” in this prospectus.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for the Hong Kong Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for Hong Kong Public Offer Shares by means of **White Form eIPO**, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity.

If an application is made by a person duly authorized under a valid power of attorney, the Joint Global Coordinators (or its respective agents or nominees) may accept it at its discretion, and subject to any conditions it thinks fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We, the Joint Global Coordinators, or the designated **White Form eIPO** Service Provider (where applicable) or our respective agents have full discretion to reject or accept any application, in full or in part, without assigning any reason.

### CHANNELS TO APPLY FOR HONG KONG OFFER SHARES

You may apply for Hong Kong Offer Shares by using one of the following channels:

- using a **WHITE** or **YELLOW** Application Form;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- apply online through the designated website of the **White Form eIPO** Service Provider, referred to herein as the '**White Form eIPO**' service; or
- **electronically instructing** HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf.

Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through **White Form eIPO** service or by giving **electronic application instructions** to HKSCC.

### WHICH APPLICATION CHANNEL YOU SHOULD USE

- Use a **WHITE** Application Form if you want the Hong Kong Offer Shares to be registered in your own name.
- Instead of using a **WHITE** Application Form, you may apply for the Hong Kong Offer Shares by means of **White Form eIPO** by submitting applications online through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk). Use **White Form eIPO** if you want the Hong Kong Offer Shares to be registered in your own name.
- Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.
- Instead of using a **YELLOW** Application Form, you may **electronically instruct** HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf via CCASS. Any Hong Kong Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

### WHERE TO COLLECT THE APPLICATION FORMS

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on June 20, 2011 until 12:00 noon on June 23, 2011 from:

Any of the following addresses of the Hong Kong Underwriters

J.P. Morgan Securities (Asia Pacific) Limited . . . . .	27/F, Chater House 8 Connaught Road Central Hong Kong
CCB International Capital Limited . . . . .	34/F, Two Pacific Place 88 Queensway, Admiralty Hong Kong
ICBC International Securities Limited . . . . .	Levels 17 & 18, Three Pacific Place 1 Queen's Road East Hong Kong

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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CITIC Securities Corporate Finance (HK) Limited . . . . .	26/F, CITIC Tower 1 Tim Mei Avenue, Central Hong Kong
Oriental Patron Securities Limited . . . . .	27/F, Two Exchange Square 8 Connaught Place Hong Kong
First Shanghai Securities Limited . . . . .	19th Floor, Wing On House 71 Des Voeux Road Central Hong Kong

or any of the following branches of Industrial and Commercial Bank of China (Asia) Limited, Standard Chartered Bank (Hong Kong) Limited and China Construction Bank (Asia) Corporation Limited:

### **Industrial and Commercial Bank of China (Asia) Limited**

	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island . . . . .	Queen's Road Central Branch	122-126 Queen's Road Central, Central
	Wanchai Branch	117-123 Hennessy Road, Wanchai
	Hennessy Road Branch	Shop 2A, G/F & Basement, Cameron Commercial Centre, 468 Hennessy Road, Causeway Bay
Kowloon . . . . .	Tsimshatsui East Branch	Shop B, G/F, Railway Plaza, 39 Chatham Road South, Tsimshatsui
	Mongkok Branch	G/F., Belgian Bank Building, 721-725 Nathan Road, Mongkok
New Territories . . . . .	Shatin Branch	Shop 22J, Level 3, Shatin Centre

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Standard Chartered Bank (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island . . . . .	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
Kowloon . . . . .	Telford Gardens Branch	Shop P9-12, Telford Centre, Telford Gardens, Tai Yip Street, Kwun Tong
	Yaumatei Branch	G/F - 1/F, Ming Fong Bldg., 564 Nathan Road, Yaumatei
New Territories . . . . .	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan

### China Construction Bank (Asia) Corporation Limited

	Branch Name	Address
Hong Kong Island . . . . .	Sheung Wan Des Voeux Road Branch	237 Des Voeux Road Central, Sheung Wan
	North Point Branch	382 King's Road, North Point
Kowloon . . . . .	Hunghom Whampoa Branch	Shop A3, G/F, Yuen Wah Building, Whampoa Estates, Hunghom
	Kwun Tong Hoi Yuen Road Branch	56 Hoi Yuen Road, Kwun Tong
New Territories . . . . .	Yuen Long Branch	68 Castle Peak Road, Yuen Long
	Tseung Kwan O Branch	Shop 190, Level 1, Metro City 3, Tseung Kwan O

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on June 20, 2011 to 12:00 noon on June 23, 2011 from:

- the depository counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or
- your stockbroker, who may have such Application Forms and this prospectus available.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### WHEN TO APPLY FOR THE HONG KONG OFFER SHARES

#### WHITE or YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on June 23, 2011, or, if the application lists are not open on that day, by the time and date stated in the section headed “Effect of bad weather conditions on the opening of the application lists” below.

Your completed **WHITE** or **YELLOW** Application Form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of the banks listed in the section headed “Where to collect the Application Forms” at the following times:

**June 20, 2011 — 9:00 a.m. to 5:00 p.m.**  
**June 21, 2011 — 9:00 a.m. to 5:00 p.m.**  
**June 22, 2011 — 9:00 a.m. to 5:00 p.m.**  
**June 23, 2011 — 9:00 a.m. to 12:00 noon**

#### ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

CCASS Clearing/Custodian Participants should input **electronic application instructions** via CCASS at the following times:

**June 20, 2011 — 9:00 a.m. to 8:30 p.m.<sup>(1)</sup>**  
**June 21, 2011 — 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>**  
**June 22, 2011 — 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>**  
**June 23, 2011 — 8:00 a.m.<sup>(1)</sup> to 12:00 noon**

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(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on June 20, 2011 until 12:00 noon on June 23, 2011 (24 hours daily, except the last application day).

The latest time for inputting your **electronic application instructions** via CCASS (if you are a CCASS Participant) is 12:00 noon on June 23, 2011 or if the application lists are not open on that day, by the time and date stated in the section headed “Effect of bad weather conditions on the opening of the application lists” below.

#### White Form eIPO

You may submit your application to the designated **White Form eIPO** Service Provider through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) from 9:00 a.m. on June 20, 2011 until 11:30 a.m. on June 23, 2011 or such later time as described under the section headed “Effect of bad weather conditions on the opening of the application lists” below (24 hours daily, except on the last application day). The

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on June 23, 2011, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the section headed “Effect of bad weather conditions on the opening of the application lists” below.

You will not be permitted to submit your application to the designated **White Form eIPO Service Provider** through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon.

### **Application lists**

The application lists will be opened from 11:45 a.m. to 12:00 noon on June 23, 2011, except as provided in the section headed “— Effect of bad weather conditions on the opening of the application lists” below. No proceedings will be taken on applications for the Hong Kong Offer Shares until after June 23, 2011 and no allocation of any such Shares will be made later than June 27, 2011.

### **Effect of bad weather conditions on the opening of the application lists**

The application lists will be opened between 11:45 a.m. and 12:00 noon on June 23, 2011, subject only to weather conditions. The application lists will not open in relation to the Hong Kong Public Offer if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on June 23, 2011. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not fall within the above circumstances at any time between 9:00 a.m. and 12:00 noon in Hong Kong.

## **HOW TO APPLY USING A WHITE OR YELLOW APPLICATION FORM**

### **Obtain a WHITE or YELLOW Application Form**

You should read the instructions in this prospectus and the relevant Application Form carefully. If you do not follow the instructions, your application is liable to be rejected and returned by ordinary post together with the accompanying cheque(s) or banker’s cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated on your Application Form.

Decide how many Hong Kong Offer Shares you want to subscribe. Calculate the amount you must pay on the basis of the maximum Offer Price of HK\$3.50 per Hong Kong Offer Share, plus brokerage of 1%, the SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%. This means that for one board lot of 1,000 Shares you will pay HK\$3,535.29. The Application

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Forms have tables showing the exact amount payable for certain numbers of shares up to 22,965,000 Shares (as indicated on the **WHITE** and **YELLOW** Application Forms). Your application must be for a minimum of 1,000 Shares. Application for more than 1,000 Shares must be in one of the number of Shares set out in the table in the respective Application Forms. No application for any other number of Shares will be considered and any such application is liable to be rejected.

Complete the Application Form in English (save as otherwise indicated) and sign it. Only written signatures will be accepted. Applications made by corporations, whether on their own behalf, or on behalf of other persons, must be stamped with the company chop (bearing the company name) and signed by a duly authorized officer, whose representative capacity must be stated. If you are applying for the benefit of someone else, you, rather than that person, must sign the Application Form. If it is a joint application, all applicants must sign it. If your application is made through a duly authorized attorney, our Company and J.P. Morgan Securities (Asia Pacific) Limited and CCB International Capital Limited, as Joint Global Coordinators for the Hong Kong Public Offer (or their respective agents or nominees), may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of your attorney.

Each Application Form must be accompanied by either one cheque or one banker's cashier order.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;
- not be post-dated;
- be drawn on your Hong Kong dollar bank account in Hong Kong;
- show your account name, which must either be pre-printed on the cheque, or be endorsed on the back by a person authorized by the bank. This account name must be the same as the name on the Application Form. If it is a joint application, the account name must be the same as the name of the first-named applicant;
- be made payable to "ICBC (Asia) Nominee Limited — Tibet 5100 Water Resources Public Offer"; and
- be crossed "Account Payee Only".

Your application is liable to be rejected if your cheque does not meet all these requirements or is dishonored on its first presentation.

If you pay by banker's cashier order the banker's cashier order must:

- be issued by a licensed bank in Hong Kong and have your name certified on the back by a person authorized by the bank. The name on the back of the banker's cashier order and the name on the Application Form must be the same. If it is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named joint applicant;



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- be in Hong Kong dollars;
- not be post-dated;
- be made payable to “ICBC (Asia) Nominee Limited — Tibet 5100 Water Resources Public Offer”; and
- be crossed “Account Payee Only”.

Your application is liable to be rejected if your banker’s cashier order does not meet all these requirements.

Lodge your Application Form in one of the collection boxes by the time and at one of the locations, as respectively referred to above.

Multiple or suspected multiple applications are liable to be rejected. Please refer to the section headed “How Many Applications You Can Make” below.

You should note that by signing the Application Form, among other things:

- (i) you confirm that you have only relied on the information and representations in this prospectus in making your application and not on any other information or representation concerning us and you agree that neither we, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters nor any of their respective directors, officers, employees, partners, agents, advisors or any other parties involved in the Global Offering will have any liability for any such other information or representations;
- (ii) you agree that our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, and any of their respective directors, officers, employers, partners, agents or advisors are liable only for the information and representations contained in this prospectus and any supplement thereto;
- (iii) you undertake and confirm that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made this application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Placing Shares, nor otherwise participate in the International Placing; and
- (iv) you agree to disclose to us, Hong Kong Share Registrar, receiving bankers, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and their respective agents the personal data and any information which they require about you or the person(s) for whose benefit you have made this application.

In order for the **YELLOW** Application Forms to be valid, you, as the applicant(s), must complete the form as indicated below and sign on the first page of the Application Form. Only written signatures will be accepted.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- **If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):**
  - the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant I.D. in the appropriate box.
- **If you are applying as an individual CCASS Investor Participant:**
  - you must fill in your name and your Hong Kong identity card number; and
  - you must insert your CCASS Participant I.D. in the appropriate box.
- **If you are applying as a joint individual CCASS Investor Participant:**
  - you must insert all joint CCASS Investor Participants' names and the Hong Kong identity card numbers of all the joint CCASS Investor Participants; and
  - you must insert your CCASS Participant I.D. in the appropriate box.
- **If you are applying as a corporate CCASS Investor Participant:**
  - you must insert your company name and your company's Hong Kong business registration number; and
  - you must fill in your CCASS Participant I.D. and stamp your company chop (bearing your company name) in the appropriate box.

Incorrect or omission of details of the CCASS Participant (including participant I.D. and/or company chop bearing its company name) or other similar matters may render the application invalid.

If your application is made through a duly authorized attorney, we and the Joint Global Coordinators may accept it at their discretion, and subject to any conditions we think fit, including evidence of the authority of your attorney. We and the Joint Global Coordinators will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" an identification number for each beneficial owner.

### **Personal data**

The section of the Application Form headed "Personal data" applies to any personal data held by Joint Global Coordinators, the Joint Bookrunners, our Company, Hong Kong Share Registrar, receiving bankers, advisors, and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### HOW MANY APPLICATIONS YOU CAN MAKE

- (a) You may make more than one application for the Hong Kong Offer Shares only if you are a **nominee**, in which case you may make an application as a nominee by: (i) giving **electronic application instructions** to HKSCC (if you are a CCASS Participant); and (ii) lodging more than one Application Form in your own name on behalf of different beneficial owners. In the box on the Application Form marked “For nominees” you must include:

- an account number; or
- another identification number,

for each beneficial owner. If you do not include this information, the application will be treated as being for your benefit.

Otherwise, multiple applications are not allowed. It will be a term and condition of all applications that by completing and delivering an Application Form, you:

- (if the application is made for your own benefit) warrant that the application made pursuant to the Application Form is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; or to the **White Form eIPO** Service Provider through the **White Form eIPO** service; or
  - (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider through the **White Form eIPO** service, and that you are duly authorized to sign the Application Form as that other person’s agent.
- (b) All of your applications under the Hong Kong Public Offer are liable to be rejected as multiple applications if you, or you and your joint applicant(s) together:
- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service ([www.eipo.com.hk](http://www.eipo.com.hk));
  - both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service ([www.eipo.com.hk](http://www.eipo.com.hk));
  - apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly with others) or by giving **electronic application instructions** to HKSCC via CCASS

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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or to the **White Form eIPO** Service Provider through the **White Form eIPO** service ([www.eipo.com.hk](http://www.eipo.com.hk)) to apply for more than 22,965,000 Hong Kong Offer Shares (being 50% of the Hong Kong Offer Shares initially being offered for subscription by the public); or

- apply for or take up any Offer Shares under the International Placing or otherwise participate in the International Placing or indicate an interest for any International Placing Shares.
- (c) All of your applications are liable to be rejected as multiple applications if more than one application is made for **your benefit** (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and: (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit. **Unlisted company** means a company with no equity securities listed on Hong Kong Stock Exchange. **Statutory control** in relation to a company means you: (i) control the composition of the board of directors of that company; or (ii) control more than half of the voting power of that company; or (iii) hold more than one-half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### APPLY THROUGH WHITE FORM eIPO

- (a) If you are an individual and meet the criteria set out in “How to Apply for Hong Kong Offer Shares — Who Can Apply for Hong Kong Offer Shares,” you may apply through **White Form eIPO** by submitting an application through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk). If you apply through **White Form eIPO**, the Hong Kong Offer Shares will be issued in your own name.
- (b) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk). You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **White Form eIPO** Service Provider and may not be submitted to our Company.
- (c) In addition to the terms and conditions set out in this prospectus, the designated **White Form eIPO** Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

- (d) By submitting an application to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service, you are deemed to have authorized the designated **White Form eIPO** Service Provider to transfer the details of your application to our Company and our Hong Kong Share Registrar.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (e) You may submit an application through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).
- (f) You should give **electronic application instructions** through **White Form eIPO** at the times set out in the section headed “How to Apply for Hong Kong Offer Shares — When to Apply for the Hong Kong Offer Shares—White Form eIPO”.
- (g) You should make payment for your application made by **White Form eIPO** service in accordance with the methods and instructions set out in the designated website at [www.eipo.com.hk](http://www.eipo.com.hk). **If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on June 23, 2011, or such later time as described under the section headed “When to Apply for the Hong Kong Offer Shares — Effect of bad weather conditions on the opening of the application lists”, the designated White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).**
- (h) Once you have completed payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **White Form eIPO** Service Provider to make an application for the Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular application reference number will not constitute an actual application.
- (i) **Warning: The application for Hong Kong Offer Shares through the White Form eIPO service is only a facility provided by the designated White Form eIPO Service Provider to public investors. Our Company, our Directors, the Joint Global Coordinators, the Joint Sponsors and the Joint Lead Managers take no responsibility for such applications, and provide no assurance that applications through the White Form eIPO service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.**

### Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 per each “Tibet 5100 Water Resources Holdings Ltd.” **White Form eIPO** application submitted via [www.eipo.com.hk](http://www.eipo.com.hk) to support the funding of “Source of Dong Jiang — Hong Kong Forest” project initiated by Friends of the Earth (HK)

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **White**

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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**Form eIPO** service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offer to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. See “— How Many Applications You Can Make.”

### **Additional Information**

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through the **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **White Form eIPO** Service Provider, the designated **White Form eIPO** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **White Form eIPO** Service Provider on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

### **HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC**

CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or CCASS Internet System (<https://ip.ccass.com>) (according to the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for you if you come to:

**Hong Kong Securities Clearing Company Limited**

Customer Service Centre

2/F., Infinitus Plaza

199 Des Voeux Road

Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for Public Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your CCASS Clearing Participant or CCASS Custodian Participant to our Company and the Hong Kong Share Registrar.

### **Minimum subscription amount and permitted numbers**

You may give **electronic application instructions** in respect of a minimum of 1,000 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form.

### **Application for Hong Kong Offer Shares by HKSCC Nominees on Your Behalf**

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

- (i) HKSCC Nominees is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees does all the things on behalf of each of such persons who:
  - agrees that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
  - undertakes and agrees to accept the Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;
  - undertakes and confirms that that person has not indicated an interest for, applied for or taken up any Shares under the International Placing;
  - (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;
  - (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorized to give those instructions as that other person's agent;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- understands that the above declaration will be relied upon by our Company, the Directors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters in deciding whether or not to make any allotment of Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;
- authorizes our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allotted in respect of that person's **electronic application instructions** and to send Share certificate(s) and/or refund money in accordance with the arrangements separately agreed between our Company and HKSCC;
- confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
- confirms that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf and will not rely on any other information and representations and that person agrees that neither our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters or any other parties involved in the Global Offering will have any liability for any such other information or representations;
- agrees that our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters and any of their respective directors, officers, employees, partners, agents, advisors or any other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus and any supplement thereto;
- agrees to disclose that person's personal data to our Company and Hong Kong Share Registrar, receiving bankers, advisors, agents and the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and their respective agents, the personal data and any information which they require about that person or the person(s) for whose benefit the application is made;
- agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;
- agrees that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable before June 30, 2011, such agreement to take effect as a collateral contract with the Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before July 20, 2011 except by means of



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

- agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offer published by our Company;
- agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares; and
- agrees that such person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the Laws of Hong Kong.

### EFFECT OF GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum offer price, brokerage, the SFC transaction levy and Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the initial price per Offer Share paid on application, refund of the application monies, in each case including brokerage, the SFC transaction levy and Hong Kong Stock Exchange trading fee, by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

### Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Allocation of Hong Kong Offer Shares

For the purpose of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given shall be treated as an applicant.

### Deposit of Share certificates into CCASS and refund of application monies

- No temporary documents of title will be issued. No receipt will be issued for application monies received.
- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account on June 29, 2011 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) as described in the section headed “How to Apply for Hong Kong Offer Shares — Results of Allocations” in this prospectus on June 29, 2011. The basis of allotment of the Hong Kong Public Offer will be published on the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on June 29, 2011. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on June 29, 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on June 29, 2011. Immediately after the credit of the Hong Kong Offer Shares to your CCASS Investor Participant stock account and the credit of any refund monies to your

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the initial price per Offer Share paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on June 29, 2011. No interest will be paid thereon.

### Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

### Warning

Application for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. We, our Directors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any parties involved in the Global Offering take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS investor Participants are advised not to wait until the last minute to input instructions. If CCASS Investor Participants have problems in connecting to the CCASS Phone System or CCASS Internet System to submit **electronic application instructions**, they should either:

- (a) submit the **WHITE or YELLOW Application Form (as appropriate); or**
- (b) go to **HKSCC's Customer Service Centre to complete an application instruction input request form for electronic application instructions before 12:00 noon on June 23, 2011 or such later time as described in the section headed "Effect of bad weather conditions on the opening of the application lists" above.**

### RESULTS OF ALLOCATIONS

We expect to announce the Offer Price, the level of applications in the Hong Kong Public Offer, the level of indications of interest in the International Placing and the basis of allotment of the Hong Kong Offer Shares on June 29, 2011 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) or on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) or our website at [www.5100.net](http://www.5100.net).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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The results of allocations of the Hong Kong Offer Shares under the Hong Kong Public Offer, including applications made under **WHITE** and **YELLOW** Application Forms and by giving **electronic application instructions** to HKSCC and the **White Form eIPO** Service Provider which will include the Hong Kong identity card numbers, passport numbers or Hong Kong business registration numbers of successful applicants and the number of the Hong Kong Offer Shares successfully applied for will be made available at the times and dates and in the manner specified below:

- Results of allocations will be available from Hong Kong Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk);
- Results of allocations will also be available from our website at [www.5100.net](http://www.5100.net) and our results of allocations website at [www.iporesults.com.hk](http://www.iporesults.com.hk) on a 24-hour basis from 8:00 a.m. on June 29, 2011 to 12:00 midnight on July 5, 2011. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- Results of allocations will be available from our Hong Kong Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from June 29, 2011 to July 2, 2011; and
- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from June 29, 2011 to June 30, 2011 and July 2, 2011 at all the receiving bank branches and sub-branches at the addresses set out in the section headed "How to Apply for Hong Kong Offer Shares — Where to Collect the Application Forms."

### DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application but, subject as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (a) for applicants on **WHITE** Application Forms or by **White Form eIPO** service, (i) Share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (ii) Share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (except for wholly successful and partially successful applicants on **YELLOW** Application Forms whose Share certificates will be deposited into CCASS as described below);
- (b) for applicants on **WHITE** and **YELLOW** Application Forms, refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the initial price per Offer Share paid on application in the event that the Offer Price is less than the initial price per Offer Share paid on application, in each case including brokerage at the rate of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005% but without interest;

- (c) for applicants who apply through the **White Form eIPO** service by paying the application monies through a single bank account and whose application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on the application, e-Refund payment instructions (if any) will be dispatched to the application payment account; or
- (d) for applicants who apply through the **White Form eIPO** service by paying the application monies through multiple bank accounts and whose application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on the application, refund cheque(s) will be sent to the address as specified on the **White Form eIPO** application by ordinary post and at the applicant's own risk.

Subject as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications under the **WHITE** or **YELLOW** Application Forms and Share certificates for successful applicants under the **WHITE** Application Form or to the **White Form eIPO** Service Provider via the **White Form eIPO** service are expected to be posted on or about June 29, 2011. The right is reserved to retain any Share certificates and any surplus application monies pending clearance of cheque(s).

(a) **If you apply using a WHITE Application Form:**

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **WHITE** Application Form to collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) in person, you may collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on June 29, 2011. If you are an individual, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your company chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. If you do not collect your refund cheque(s) and Share certificate(s) within the time period specified for collection, they will be dispatched promptly thereafter to you by ordinary post to the address as specified in your Application Form at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or, if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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refund cheque(s) (where applicable) and your Share certificates (where applicable) in person, your Share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) will be dispatched to the address on your Application Form on or about June 29, 2011 by ordinary post and at your own risk.

**(b) If you apply using a YELLOW Application Form:**

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on June 29, 2011, or under a contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant), for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, we expect to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer as described in the section headed "How to Apply for Hong Kong Offer Shares — Results of Allocations" in this prospectus on June 29, 2011. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on June 29, 2011 or such other date as will be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your Application Form that you will collect your refund cheque(s) (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) (if any) will be sent to the address on your Application Form on the date of dispatch, which is expected to be on June 29, 2011, by ordinary post and at your own risk.

**(c) If you apply through White Form eIPO service:**

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service and your application is wholly or partially successful, you may collect your Share certificate(s) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai,

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Hong Kong, from 9:00 a.m. to 1:00 p.m. on June 29, 2011, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of e-Refund payment instructions/refund cheque(s)/Share certificate(s). If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or, if you apply for 1,000,000 Hong Kong Offer Shares but have not indicated on your application that you will collect your Share certificates in person, your Share certificate(s) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider on or before June 29, 2011 by ordinary post and at your own risk.

If you apply through the **White Form eIPO** service by paying the application monies through a single bank account and your application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on your application, e-Refund payment instructions (if any) will be dispatched to the application payment account on or around June 29, 2011.

If you apply through the **White Form eIPO** service by paying the application monies through multiple bank accounts and your application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on your application, refund cheque(s) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider on or before June 29, 2011 by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **White Form eIPO** Service Provider set out in this section headed “Apply through **White Form eIPO** — Additional Information” of this prospectus.

### **CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES**

Full details of the circumstances in which you will not be allotted Shares are set out in the notes attached to the Application Forms (whether you are making your application by an Application Form or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf or through the **White Form eIPO** service), and you should read them carefully. You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or your application is liable to be rejected:

(a) **If your application is revoked:**

By completing and submitting an Application Form or giving an **electronic application instruction** to HKSCC, you agree that your application or the application made by HKSCC on your behalf is irrevocable until after the fifth day after the time of the opening of the application lists (which is expected to be June 30, 2011). This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or give your **electronic**

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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**application instruction** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before July 20, 2011 except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before June 30, 2011 if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominee on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(b) If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instruction** to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Hong Kong Stock Exchange notifies our Company of that longer period within three weeks of the closing of the application lists.

**(c) If you make applications under the Hong Kong Public Offer as well as the International Placing:**

You or the person whose benefits you apply for have taken up or indicated an interest or applied for or received or have been or will be placed or allocated (including conditionally and/or provisionally) Shares in the International Placing. By filling in any of the Application Forms or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via the **White Form eIPO** service electronically, you agree not to apply for International Placing Shares



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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under the International Placing. Reasonable steps will be taken to identify and reject applications under the Hong Kong Public Offer from investors who have received International Placing Shares, and to identify and reject indications of interest in the International Placing from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offer.

**(d) If our Company, the Joint Global Coordinators or their respective agents exercise their discretion:**

Our Company, the Joint Global Coordinators, **White Form eIPO** Service Provider (where applicable) and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

**(e) Your application will be rejected or not be accepted if:**

- your application is a multiple or a suspected multiple applications;
- your Application Form is not completed correctly in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored on its first presentation;
- you or the person for whose benefit you are applying have applied for and/or received or will receive Offer Shares under the International Placing;
- we believe that by accepting your application would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is received or your address is located;
- if you apply for more than 100% of the Shares available for allocation in either Pool A or Pool B Hong Kong Offer Shares; or
- any of the Underwriting Agreements does not become unconditional or it is terminated in accordance with their respective terms thereof.

### **REFUND OF APPLICATION MONIES**

If you do not receive any Hong Kong Offer Shares for any of, but not limited to, the above reasons, our Company will refund your application monies, including brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee. No interest will be paid thereon.

If your application is accepted only in part, we will refund to you the appropriate portion of your application monies (including the related brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) without interest.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If the Offer Price as finally determined is less than the initial price per Share (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee thereon) paid on application, our Company will refund to you the surplus application monies, together with the related brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%, without interest.

All such interest accrued prior to the date of dispatch of refund monies will be retained for the benefit of our Company.

In a contingency situation involving a substantial over-subscription, at the discretion of our Company and the Joint Global Coordinators, cheques for applications made on Application Forms for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) is expected to be made on June 29, 2011 in accordance with the various arrangements as described above.

### COMMENCEMENT OF DEALINGS IN THE SHARES

- Dealings in the Shares on the Hong Kong Stock Exchange are expected to commence on June 30, 2011.
- The Shares will be traded in board lots of 1,000 each. The stock code of the Shares is 1115.

### SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

- If the Hong Kong Stock Exchange grants the listing of, and permission to deal in the Shares and our Company comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.
- All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.
- Investors should seek advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements will affect their rights and interests.
- All necessary arrangements have been made for the Shares to be admitted into CCASS.

*The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.*



羅兵咸永道會計師事務所

**PricewaterhouseCoopers**  
22/F, Prince's Building  
Central, Hong Kong

June 20, 2011

The Directors  
Tibet 5100 Water Resources Holdings Ltd.

J.P. Morgan Securities (Asia Pacific) Limited  
CCB International Capital Limited  
ICBC International Capital Limited  
CITIC Securities Corporate Finance (HK) Limited

Dear Sirs,

We report on the financial information of Tibet 5100 Water Resources Holdings Ltd. (the "Company") and its subsidiaries (together, the "Group") which comprises the combined balance sheets as at December 31, 2008, 2009 and 2010 and the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements for each of the years ended December 31, 2008, 2009 and 2010 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes. This financial information has been prepared by the directors of the Company and is set out in Sections I to IV below for inclusion in Appendix I to the prospectus of the Company dated June 20, 2011 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on November 8, 2010 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1.2 of Section II headed "Reorganisation" below, which was completed on June 13, 2011 the Company became the holding company of the subsidiaries now comprising the Group.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 10 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

All companies comprising the Group have adopted December 31 as their financial year end date. No audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation other than the Reorganisation. The statutory audited financial statements during the Relevant Periods of the companies comprising the Group for which there is a statutory audit requirement have been prepared in accordance with accounting principles applicable to their respective places of incorporation. Details of the financial statements of the companies comprising the Group that are subject to audit and the names of the respective auditors are set out in Note 10 of Section II below.

The directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods, in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (the “Underlying Financial Statements”). We have audited the Underlying Financial Statements in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 2 of Section II below.

#### **Directors’ responsibility for the financial information**

The directors of the Company are responsible for the preparation and the true and fair presentation of the financial information in accordance with the basis of preparation set out in Note 2 of Section II below and in accordance with IFRS. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Reporting accountant’s responsibility**

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

#### **Opinion**

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in Note 2 of Section II below, a true and fair view of the combined state of affairs of the Group as at December 31, 2008, 2009 and 2010 and of the Group’s combined results and cash flows for each of the Relevant Periods then ended.

## I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at December 31, 2008, 2009 and 2010 and for each of the years ended December 31, 2008, 2009 and 2010, presented on the basis set out in Note 2 of Section II below:

## A. COMBINED BALANCE SHEETS

	Note	As at December 31,		
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
<b>Assets</b>				
<b>Non-current assets</b>				
Land use rights . . . . .	8	1,355	1,326	1,297
Property, plant and equipment . . . . .	9	177,430	245,897	292,169
Deferred income tax assets. . . . .	21	1,184	1,627	3,566
Prepayments. . . . .	14	5,058	1,638	4,629
		<u>185,027</u>	<u>250,488</u>	<u>301,661</u>
<b>Current assets</b>				
Inventories. . . . .	16	16,537	19,738	32,201
Trade receivables. . . . .	13	23,734	43,004	71,991
Prepayments. . . . .	14	2,400	4,836	16,680
Other receivables. . . . .	15	85,469	12,913	2,570
Restricted cash. . . . .	17	12,566	17,097	—
Cash and cash equivalents . . . . .	18	46,716	64,034	34,783
		<u>187,422</u>	<u>161,622</u>	<u>158,225</u>
<b>Total assets</b> . . . . .		<u>372,449</u>	<u>412,110</u>	<u>459,886</u>
<b>Equity</b>				
<b>Equity attributable to equity holders of the Company</b>				
Reserves . . . . .	19	141,204	150,458	166,212
(Accumulated deficit)/Retained earnings . . . . .		(27,379)	14,431	116,879
		<u>113,825</u>	<u>164,889</u>	<u>283,091</u>
<b>Non-controlling interests</b> . . . . .		4,128	—	—
<b>Total equity</b> . . . . .		<u>117,953</u>	<u>164,889</u>	<u>283,091</u>

	Note	As at December 31,		
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Borrowings . . . . .	20	—	70,000	—
Deferred income . . . . .	23	—	—	11,550
		<u>—</u>	<u>70,000</u>	<u>11,550</u>
<b>Current liabilities</b>				
Trade payables . . . . .	24	10,070	23,002	14,516
Borrowings . . . . .	20	115,600	9,000	—
Deferred revenue and advance received from customers . . . . .	22	14,913	20,748	26,050
Enterprise income tax payables . . . . .		712	1,236	—
Accruals and other payables . . . . .	25	113,201	123,235	124,679
		<u>254,496</u>	<u>177,221</u>	<u>165,245</u>
<b>Total liabilities . . . . .</b>		<u>254,496</u>	<u>247,221</u>	<u>176,795</u>
<b>Total equity and liabilities . . . . .</b>		<u>372,449</u>	<u>412,110</u>	<u>459,886</u>
<b>Net current liabilities . . . . .</b>		<u>67,074</u>	<u>15,599</u>	<u>7,020</u>
<b>Total assets less current liabilities . . . . .</b>		<u>117,953</u>	<u>234,889</u>	<u>294,641</u>

## B. COMBINED INCOME STATEMENTS

	Note	Year ended December 31,		
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
<b>Revenue</b> .....	7	119,474	215,762	360,526
Cost of sales .....	27	<u>(59,556)</u>	<u>(91,448)</u>	<u>(128,328)</u>
<b>Gross profit</b> .....		59,918	124,314	232,198
Distribution costs .....	27	<u>(32,013)</u>	<u>(60,860)</u>	<u>(81,600)</u>
Administrative expenses .....	27	<u>(9,383)</u>	<u>(10,805)</u>	<u>(18,355)</u>
Other (losses)/gains, net .....	26	<u>(444)</u>	<u>2,262</u>	<u>2,433</u>
<b>Operating profit</b> .....		<u>18,078</u>	<u>54,911</u>	<u>134,676</u>
Finance income .....		1,030	1,390	522
Finance costs .....		<u>(6,150)</u>	<u>(5,429)</u>	<u>(2,526)</u>
Finance costs, net .....	29	<u>(5,120)</u>	<u>(4,039)</u>	<u>(2,004)</u>
<b>Profit before income tax</b> .....		12,958	50,872	132,672
Income tax expense .....	30	<u>(1,045)</u>	<u>(3,436)</u>	<u>(17,459)</u>
<b>Profit for the year</b> .....		<u>11,913</u>	<u>47,436</u>	<u>115,213</u>
<b>Profit attributable to:</b>				
- Equity holders of the Company .....		11,207	47,436	115,213
- Non-controlling interests .....		<u>706</u>	<u>—</u>	<u>—</u>
		<u>11,913</u>	<u>47,436</u>	<u>115,213</u>
<b>Dividends</b> .....	33	<u>—</u>	<u>—</u>	<u>—</u>

## C. COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended December 31,		
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
<b>Profit for the year</b> .....		<u>11,913</u>	<u>47,436</u>	<u>115,213</u>
<b>Other comprehensive income:</b>				
Foreign currency translation differences..	19	<u>(75)</u>	<u>—</u>	<u>(11)</u>
<b>Other comprehensive income for the year, net of tax</b> .....		<u>(75)</u>	<u>—</u>	<u>(11)</u>
<b>Total comprehensive income for the year</b> .....		<u><u>11,838</u></u>	<u><u>47,436</u></u>	<u><u>115,202</u></u>
<b>Attributable to:</b>				
- Equity holders of the Company .....		11,132	47,436	115,202
- Non-controlling interest .....		<u>706</u>	<u>—</u>	<u>—</u>
<b>Total comprehensive income for the year</b> .....		<u><u>11,838</u></u>	<u><u>47,436</u></u>	<u><u>115,202</u></u>



## D. COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						
	Note	Share capital	Reserves	(Accumulated deficit)/ Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000 (Note 19)	RMB'000	RMB'000	RMB'000	RMB'000
<b>At January 1, 2008</b> . . . . .		—	122,677	(36,677)	86,000	3,769	89,769
Profit for the year . . . . .		—	—	11,207	11,207	706	11,913
Other comprehensive income . . . . .		—	(75)	—	(75)	—	(75)
Total comprehensive income for the year . . . . .		—	(75)	11,207	11,132	706	11,838
Acquisition of additional interest in a subsidiary . . . . .	36	—	47	—	47	(347)	(300)
Appropriations to statutory surplus reserve . . . . .	19(d)	—	1,909	(1,909)	—	—	—
Capital injection from equity holders . . . . .	19(b)	—	13,646	—	13,646	—	13,646
Contribution from Controlling Shareholder . . . . .	19(c)	—	3,000	—	3,000	—	3,000
<b>At December 31, 2008</b> . . . . .		—	141,204	(27,379)	113,825	4,128	117,953
Profit for the year . . . . .		—	—	47,436	47,436	—	47,436
Other comprehensive income . . . . .		—	—	—	—	—	—
Total comprehensive income for the year . . . . .		—	—	47,436	47,436	—	47,436
Acquisition of additional interest in a subsidiary . . . . .	36	—	628	—	628	(4,128)	(3,500)
Appropriations to statutory surplus reserve . . . . .	19(d)	—	5,626	(5,626)	—	—	—
Contribution from Controlling Shareholder . . . . .	19(c)	—	3,000	—	3,000	—	3,000
<b>At December 31, 2009</b> . . . . .		—	150,458	14,431	164,889	—	164,889
Profit for the year . . . . .		—	—	115,213	115,213	—	115,213
Other comprehensive income . . . . .		—	(11)	—	(11)	—	(11)
Total comprehensive income for the year . . . . .		—	(11)	115,213	115,202	—	115,202
Appropriations to statutory reserve surplus . . . . .	19(d)	—	12,765	(12,765)	—	—	—
Contribution from Controlling Shareholder . . . . .	19(c)	—	3,000	—	3,000	—	3,000
<b>At December 31, 2010</b> . . . . .		—	166,212	116,879	283,091	—	283,091

## E. COMBINED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31,		
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
<b>Cash flows from operating activities</b>				
Cash generated from operations . . . . .	34	27,063	62,269	113,065
Interest received . . . . .		1,030	1,390	420
Income tax paid . . . . .		(1,053)	(3,355)	(20,718)
Net cash generated from operating activities .		<u>27,040</u>	<u>60,304</u>	<u>92,767</u>
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment ("PP&E") . . . . .		(33,360)	(47,957)	(28,948)
Government grant received relating to PPE . .	23	<u>—</u>	<u>—</u>	<u>11,550</u>
Net cash used in investing activities . . . . .		<u>(33,360)</u>	<u>(47,957)</u>	<u>(17,398)</u>
<b>Cash flows from financing activities</b>				
Capital injection from equity holders . . . . .	19(b)	13,646	—	—
Proceeds from bank borrowings . . . . .		153,000	115,600	—
Repayments of bank borrowings . . . . .		(86,400)	(152,200)	(79,000)
Cash (used in)/generated from financing activities with third parties . . . . .		(34,597)	45,341	(20,033)
Prepayment of issuance cost . . . . .		—	—	(2,137)
Interest paid . . . . .		<u>(5,858)</u>	<u>(3,770)</u>	<u>(2,447)</u>
Net cash generated from/(used in) financing activities . . . . .		<u>39,791</u>	<u>4,971</u>	<u>(103,617)</u>
<b>Net increase/(decrease) in cash and cash equivalents . . . . .</b>				
		33,471	17,318	(28,248)
Cash and cash equivalents at beginning of year . . . . .		13,320	46,716	64,034
Exchange translation losses on cash and cash equivalents . . . . .		<u>(75)</u>	<u>—</u>	<u>(1,003)</u>
<b>Cash and cash equivalents at end of year .</b>	18	<u><u>46,716</u></u>	<u><u>64,034</u></u>	<u><u>34,783</u></u>

## II NOTES TO THE FINANCIAL INFORMATION

### 1 GENERAL INFORMATION AND REORGANISATION

#### 1.1 General information of the Group

Tibet 5100 Water Resources Holdings Ltd. (the “Company”) 西藏5100水資源控股有限公司 was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on November 8, 2010. The address of its registered office is George Town in the Island of Grand Cayman. The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in the production and sales of premium bottled mineral water (the “Listing Business”) in the People’s Republic of China (the “PRC”). In 2006, the Group obtained the rights to explore the water, and further detailed information is disclosed in Note 27.

#### 1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation as described below (the “Reorganisation”), the Listing Business was primarily carried out by the following companies now comprising the Group which were controlled by Mr. Wang Peter Jian 王堅 (the “Controlling Shareholder” or “Owner”):

- Tibet Zhongji Jiahua Industrial Co., Ltd. (“Tibet Zhongji”) 西藏中稷佳華實業發展有限公司
- Tibet Glacier Mineral Water Co., Ltd. (“Tibet Glacier Water”) 西藏冰川礦泉水有限公司
- Tibet Glacier Mineral Water Marketing Co., Ltd. (“Tibet Glacier Marketing”) 西藏冰川礦泉水營銷有限公司
- Beijing 5100 Enterprise Planning Club Co., Ltd. (“Beijing 5100 Club”) 北京五一零零企業策劃俱樂部有限公司

Tibet Zhongji is the holding company of Tibet Glacier Water, Tibet Glacier Marketing and Beijing 5100 Club throughout the Relevant Periods, which is in turn jointly controlled by Vicwood Investments Limited (“Vicwood”) 永豪投資有限公司 and Sino Ocean International Investment Limited (“Sino Ocean”) 中海國際投資有限公司. Both Vicwood and Sino Ocean are ultimately controlled by the Controlling Shareholder via Water Resources Limited 香港中稷佳華有限公司 (“Water Resources”, formerly known as Hong Kong Zhongji Jia Hua Limited 香港中稷佳華有限公司).

On April 28, 2008, Tibet 5100 Water Resources Ltd. (“Tibet 5100”, previously known as Water Enterprises Limited) 西藏5100水資源有限公司, which was incorporated in the British Virgin Islands (“BVI”) on January 19, 2006 by the Controlling shareholder as an investment holding company, acquired the entire equity interests in Vicwood and Sino Ocean from Water Resources.

On June 13, 2011, by way of a share swap, the Company acquired the entire issued share capital of Tibet 5100 from its then shareholders by allotting and issuing a total of 9,999 Shares of HK\$0.01 each to the existing shareholders of Tibet 5100. After the share swap, the Company became the holding company of the Group.

## **2 BASIS OF PRESENTATION**

The Controlling Shareholder owned and controlled the companies now comprising the Group before the Reorganisation and continues to control them after the Reorganisation.

For the purposes of this report, the financial information of the Group has been prepared and presented on a basis in accordance with the principles of the Auditing Guideline 3.340 “Prospectus and the Reporting Accountant” issued by the HKICPA. The combined balance sheets, combined income statements, combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Relevant Periods have been prepared using the financial information of the companies engaged in the Listing Business, as if the current group structure had been in existence throughout the Relevant Periods or since the respective dates of incorporation/establishment, whichever is shorter. The assets, liabilities and results of the Group have been combined using their existing book values. The transaction of the Company to acquire Tibet 5100 and its subsidiaries is a reorganisation which has not resulted in any changes in the substance of the Listing Business or the control over Tibet 5100 and its subsidiaries by the Controlling Shareholder.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on combination.

## **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these combined financial statements are set out below. These policies have been consistently applied to Relevant Periods, unless otherwise stated.

### **3.1 Basis of preparation**

The combined financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The combined financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the combined financial statements are disclosed in note 5.

### 3.2 Changes in accounting policy and disclosures

- (a) The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2011 or later periods, but the Group has not early adopted them:
- IFRS 9, 'Financial instruments' (effective on or after January 1, 2013). This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement', by introducing new requirements for classifying and measuring financial assets. The Group will apply IFRS 9 from January 1, 2013. It is not expected to have a material impact on the Group's combined financial statements.
  - IAS 24 (revised), 'Related party disclosures', (effective on or after January 1, 2011). The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from January 1, 2011. It is not expected to have a material impact on the Group's combined financial statements.
  - IAS 32 (amendment), 'Classification of rights issues', (effective on or after February 1, 2010). The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. The Group will apply the amended standard from January 1, 2011. It is not expected to have a material impact on the Group's combined financial statements.
  - IFRIC - Int 19, 'Extinguishing financial liabilities with equity instruments', (effective July 1, 2010). The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Group will apply the interpretation from January 1, 2011. It is not expected to have any impact on the Group or the parent entity's financial statements.

- IFRIC - Int 14, (amendment), 'Prepayments of a minimum funding requirement', (effective from July 1, 2011). The amendments correct an unintended consequence of IFRIC - Int 14, 'IAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC - Int 14 was issued, and the amendments correct this. The Group will apply these amendments for the financial reporting period commencing on January 1, 2011. It is not expected to have a material impact on the Group's combined financial statements.
- IFRS 1 (amendment), 'First-time adoption of International Financing Reporting Standards', (effective from July 1, 2011). The amendments provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs, as well as provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time. The Group will apply these amendments for the financial reporting period commencing on January 1, 2012. It is not expected to have a material impact on the Group's combined financial statements.
- IAS 12 (amendment), 'Deferred tax — Recovery of underlying assets', (no transition provisions are specified). The amendments provide a practical approach for measuring deferred tax liabilities and deferred tax assets depending on whether an entity expects to recover an asset by using it or by selling it when investment property is measured using the fair value model in IAS 40 Investment Property.
- The minor amendments to IFRS 1 'First-time adoption of International Financing Reporting Standards', IFRS 3 'Business combinations', IFRS 7 'Financial instruments': Disclosure, IAS 1 'Presentation of Financial Statements', IAS 27 'Consolidated and Separate Financial Statements', IAS 34 'Interim Financial Reporting', and IFRIC 13 'Customer Loyalty Programmes', which are part of the IASB's annual improvements project published in May 2010. These amendments will not have a material impact on the Group's operations.

### 3.3 Consolidation

#### (a) *Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully combined from the date on which control is transferred to the Group.

The Group uses the acquisition method of accounting to account for business combinations except for the business combination under common control or the Reorganisation as described in Note 1.2 which are accounted for using the principles of merger accounting.

(i) *Acquisition method of accounting*

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the combined statement of comprehensive income.

(ii) *Business combinations under common control*

The combined financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the contribution of the controlling party's interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded have been recognised directly in equity as part of the capital reserve.

The combined financial statement includes financial position and the results of each of the combining entities or businesses from the earliest balance sheet date presented or since the date when combining entities or business first came under the control of the controlling party, whichever is later.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) *Transactions with non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

### 3.4 **Segment reporting**

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

### 3.5 **Foreign currency translation**

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The combined financial statements are presented in Renminbi ("RMB"), which is the Group's presentation currency.



**(b) Transactions and balances**

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

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

**(c) Group companies**

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the combined income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

**3.6 Property, plant and equipment**

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

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

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

	<u>Useful lives</u>
Buildings . . . . .	15 to 40 years
Machinery . . . . .	15 years
Vehicles . . . . .	6 years
Others . . . . .	5 to 40 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.8).

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

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

### 3.7 Land use rights

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

### 3.8 Impairment of investment in subsidiaries and non-financial assets

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

### 3.9 Financial assets

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

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's receivables comprise "trade receivables" (Note 3.12), "other receivables" (Note 3.12), "cash and cash equivalents" (Note 3.13) and "restricted cash" (Note 17) in the combined balance sheet.

### 3.10 Impairment of financial assets

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

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becomes probable that the obligor will enter bankruptcy or other financial reorganisation;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio;
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

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

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

### **3.11 Inventories**

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

### **3.12 Trade and other receivables**

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

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

### **3.13 Cash and cash equivalents**

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

### **3.14 Share capital**

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

### **3.15 Trade payables**

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

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

### **3.16 Deferred revenue and advance received from customers**

Deferred revenue and advance received from customers represent the consideration allocated to the goods to be delivered in future. Deferred revenue is stated at the consideration allocated less the amount previously recognised as revenue upon the delivery of goods to the wholesaler (Note 3.21).

### **3.17 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the combined income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities 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.

### **3.18 Current and deferred income tax**

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

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

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

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

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

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

### 3.19 Employee benefits

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

#### (a) *Pension obligations*

All full-time employees of the Group in the PRC are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies undertake to assume the pension obligations to the existing and future retired employees of the Group. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

### 3.20 Provisions

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

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

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

### 3.21 Revenue recognition

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

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

#### (a) *Sales of goods — wholesale and retail*

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

The Group enters into "get one free - buy one" sales agreement with a distributor. Pursuant to such agreement, when the Group sells one bottle mineral water to the distributor, the distributor is entitled to receive another one for free. The fair value of the consideration received is equally allocated between the deliveries of the two bottles. The consideration allocated to the delivery of free goods is recognised as deferred revenue until revenue of the free goods is recognised when they are delivered to the distributor.

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

#### (b) *Interest income*

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

(c) *Dividend income*

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

**3.22 Government grants**

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

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

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

**3.23 Operating leases**

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

**3.24 Dividend distribution**

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

**4 FINANCIAL RISK MANAGEMENT**

**4.1 Financial risk factors**

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

(a) *Market risk*

(i) *Foreign exchange risk*

The functional currency of a majority of the entities within the Group is RMB and most of the transactions are settled in RMB. However, the Group is exposed to foreign exchange risk arising from its purchases of machinery and equipment from overseas suppliers, which are primarily denominated in the US dollar, Euro and Yen.



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

As at December 31, 2008, December 31, 2009 and December 31, 2010, if RMB had weakened/strengthened by 5% against US dollar with all other variables held constant, the post-tax profit for the year would have been approximately RMB47,000, RMB1,033,000 and RMB1,002,000 lower/higher respectively, mainly as a result of foreign exchange losses/gains on translation of US dollar denominated cash and cash equivalents, and accruals and other payables; no other components of equity for the years would have been changed.

As at December 31, 2008, December 31, 2009 and December 31, 2010, if RMB had weakened/strengthened by 5% against Euro with all other variables held constant, the post-tax profit for the year would have been approximately RMB nil, RMB665,000 and RMB1,446,000 lower/higher respectively, mainly as a result of foreign exchange losses/gains on translation of Euro denominated accruals and other payables; no other components of equity for the years would have been changed.

As at December 31, 2008, December 31, 2009 and December 31, 2010, if RMB had weakened/strengthened by 5% against Yen with all other variables held constant, the post-tax profit for the year would have been approximately RMB nil, RMB nil and RMB 606,000 lower/higher respectively, mainly as a result of foreign exchange losses/gains on translation of Yen denominated accruals and other payables; no other components of equity for the years would have been changed.

(ii) *Cash flow and fair value interest rate risk*

The Group's interest rate risk arises from borrowings. All borrowings are issued at fixed rates and expose the Group to fair value interest rate risk. During the years ended December 31, 2008, December 31, 2009 and December 31, 2010, the Group's borrowings at fixed rate were denominated in Renminbi.

As at December 31, 2008, December 31, 2009 and December 31, 2010, if interest rates on fixed rate borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately RMB1,020,000, RMB921,000 and RMB705,000 lower/higher, mainly as a result of higher/lower interest expense on such borrowings.

(b) *Credit risk*

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

Substantially all of the Group's cash and cash equivalents, and restricted cash are held in major financial institutions located in the PRC, which management believes are of high credit quality. There was no recent history of default of cash and cash equivalents, and restricted cash from such financial institutions/authority.

The Group's revenue mainly derived from a single external customer (Note 7) as a result of sales of goods, and the trade receivable due from this customer is approximately RMB9,208,000, RMB18,046,000 and RMB61,226,000, comprising 39%, 42% and 85% of the balances of the Group's trade receivables as at December 31, 2008, December 31, 2009 and December 31, 2010, respectively. The Group has set up long-term cooperative relationship with this customer by entering into "get one free - buy one" agreement (Note 3.21(a)). In view of the history of business dealings made with the customer and the sound collection history of the receivables due from it, management believes that there is no material credit risk inherent in the Groups outstanding receivable balance due from this customer. The Group's other trade receivable balances are due from third party customers and related parties as a result of sales of goods. The Group's other receivables are due from third parties and related parties. The Group performs ongoing credit evaluations of the financial condition of its customers/debtors on an individual basis, taking into accounts their financial position, past experience and other factors, and generally does not require collateral from the customers/debtors' account on the outstanding balances. Based on the expected realisation and timing for collection of the outstanding balances, the Group maintains a provision for doubtful accounts and actual losses incurred have been within management's expectation, and management believes that there is no material credit risk inherent in the Group's outstanding receivable balances.

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

With the consideration of the above, the directors of the Group believe that there is no significant credit risk inherent in the Group's business during the Relevant Periods.

(c) *Liquidity risk*

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

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

The Group reported net current liabilities of approximately RMB67,074,000, RMB15,599,000 and RMB7,020,000 as at December 31, 2008, December 31, 2009 and December 31, 2010. The directors of the Group have undertaken the following actions and procedures to mitigate the liquidity risks of the Group, including:

- (i) Maintain and generate stable operating cash inflow from its profitable operations; and

- (ii) Undertake a close monitoring process to control the magnitude and timing of the expected cash outlays associated with the expected capital expenditures to be incurred in 2011 and arrange new bank facilities to finance them.

The directors are of the view that these measures are adequate to contain the liquidity risk at an acceptable level.

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

	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>
	RMB'000	RMB'000
<b>At December 31, 2008</b>		
Borrowings (including interests) . . . . .	116,955	—
Trade payables (Note 24) . . . . .	10,070	—
Accrual and other payables (Note 11) . . . . .	<u>110,126</u>	<u>—</u>
<b>At December 31, 2009</b>		
Borrowings (including interests) . . . . .	11,571	70,544
Trade payables (Note 24) . . . . .	23,002	—
Accrual and other payables (Note 11) . . . . .	<u>114,609</u>	<u>—</u>
<b>At December 31, 2010</b>		
Borrowings (including interests) . . . . .	—	—
Trade payables (Note 24) . . . . .	14,516	—
Accrual and other payables (Note 11) . . . . .	<u>124,081</u>	<u>—</u>

#### 4.2 Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the combined balance sheet) add net amounts due to/(due from) third parties in financing activities and amounts due to related parties, and less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the combined balance sheet plus net debt.

The gearing ratios as at December 31, 2008, December 31, 2009 and December 31, 2010 were as follows:

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Total borrowings(Note 20) . . . . .	115,600	79,000	—
Add: Amounts due to third parties in financing activities (Note 25) (a) . . . . .	88,279	64,297	32,134
Less: Amounts due from third parties in financing activities (Note 15) (a) . . . . .	(82,910)	(13,587)	(1,457)
Add: Amounts due to related parties (Note 25) . . . . .	6,855	21,382	63,436
Less: Cash and cash equivalents (Note 18). . . . .	<u>(46,716)</u>	<u>(64,034)</u>	<u>(34,783)</u>
Net Debt . . . . .	81,108	87,058	59,330
Total Equity . . . . .	<u>117,953</u>	<u>164,889</u>	<u>283,091</u>
Total Capital . . . . .	<u>199,061</u>	<u>251,947</u>	<u>342,421</u>
 <b>Gearing ratio</b> . . . . .	 <u><u>41%</u></u>	 <u><u>35%</u></u>	 <u><u>17%</u></u>

- (a) During the Relevant Periods, the Group had short-term advances to and borrowings from certain third party enterprises to satisfy the temporary working capital needs of the Group and the counter parties. These advances and borrowings were receivable/ payable on demand and were interest free. In addressing its credit or liquidity risks, the Group continuously monitored its capital structure to keep the volume of such financing activities within a reasonable level and such short-term advances and borrowings were usually settled within 6-12 months. The Group has taken further actions to reduce such advances and borrowings subsequent to January 1, 2011 as disclosed in Note 15 and Note 25.

The changes in the gearing ratio during the Relevant Periods were primarily due to the profitability and cash inflow from operations which increased the owners' equity and enabled the repayment of the borrowings and the settlement of the net amounts due to third parties in financing activities.

#### 4.3 Fair value estimation

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

**5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

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

**(a) Depreciation and amortisation**

The Group's management determines the residual value, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where residual value or useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. The current estimated useful lives are stated in Note 3.6.

**(b) Income taxes**

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

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

**6 SEGMENT INFORMATION**

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

The principle activities of the Group are manufacturing and sales of bottled mineral water product. Due to the simplicity of this business, the Group's daily operations are managed as one single segment, as management does not review the operating results by products, distribution channels or

geographical areas to make decisions with respect to assets allocation and performance evaluation, nor does the Group prepare separate financial information by products, distribution channels or geographical areas. Therefore, the board of directors of the Group regards that there is only one segment which is used to make strategic decisions.

## 7 REVENUE

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

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Sales of goods . . . . .	<u>119,474</u>	<u>215,762</u>	<u>360,526</u>

Revenue from external customers of the Group is derived in the PRC for the years ended December 31, 2008, 2009 and 2010.

Revenues of approximately RMB91,826,000, RMB174,777,000 and RMB290,306,000 are derived from a single external customer for the years ended December 31, 2008, 2009 and 2010, respectively.

## 8 LAND USE RIGHTS

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
At beginning of the year . . . . .	1,384	1,355	1,326
Amortisation charge (Note 27) . . . . .	<u>(29)</u>	<u>(29)</u>	<u>(29)</u>
At end of the year . . . . .	<u>1,355</u>	<u>1,326</u>	<u>1,297</u>

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

## 9 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Vehicles	Others	Construction- in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At January 1, 2008</b>						
Cost . . . . .	16,128	58,541	1,182	39,123	468	115,442
Accumulated depreciation . . . . .	(1,140)	(4,897)	(177)	(2,351)	—	(8,565)
Impairment (a) . . . . .	—	(2,311)	—	—	—	(2,311)
Net book amount . . . . .	<u>14,988</u>	<u>51,333</u>	<u>1,005</u>	<u>36,772</u>	<u>468</u>	<u>104,566</u>
<b>Year ended December 31, 2008</b>						
Opening net book amount . . . . .	14,988	51,333	1,005	36,772	468	104,566
Additions . . . . .	—	3,373	—	2,667	74,042	80,082
Transfer upon completion . . . . .	3,916	47,389	—	—	(51,305)	—
Depreciation charges (Note 27) . . . . .	(818)	(4,904)	(140)	(1,356)	—	(7,218)
Closing net book amount . . . . .	<u>18,086</u>	<u>97,191</u>	<u>865</u>	<u>38,083</u>	<u>23,205</u>	<u>177,430</u>
<b>At December 31, 2008</b>						
Cost . . . . .	20,044	109,303	1,182	41,790	23,205	195,524
Accumulated depreciation . . . . .	(1,958)	(9,801)	(317)	(3,707)	—	(15,783)
Impairment (a) . . . . .	—	(2,311)	—	—	—	(2,311)
Net book amount . . . . .	<u>18,086</u>	<u>97,191</u>	<u>865</u>	<u>38,083</u>	<u>23,205</u>	<u>177,430</u>
<b>Year ended December 31, 2009</b>						
Opening net book amount . . . . .	18,086	97,191	865	38,083	23,205	177,430
Additions . . . . .	—	3,567	41	394	77,471	81,473
Transfer upon completion . . . . .	17,954	62,783	—	—	(80,737)	—
Disposals . . . . .	—	—	(555)	—	—	(555)
Depreciation charges (Note 27) . . . . .	(1,050)	(9,752)	(84)	(1,565)	—	(12,451)
Closing net book amount . . . . .	<u>34,990</u>	<u>153,789</u>	<u>267</u>	<u>36,912</u>	<u>19,939</u>	<u>245,897</u>
<b>At December 31, 2009</b>						
Cost . . . . .	37,998	175,653	440	42,184	19,939	276,214
Accumulated depreciation . . . . .	(3,008)	(19,553)	(173)	(5,272)	—	(28,006)
Impairment (a) . . . . .	—	(2,311)	—	—	—	(2,311)
Net book amount . . . . .	<u>34,990</u>	<u>153,789</u>	<u>267</u>	<u>36,912</u>	<u>19,939</u>	<u>245,897</u>
<b>Year ended December 31, 2010</b>						
Opening net book amount . . . . .	34,990	153,789	267	36,912	19,939	245,897
Additions . . . . .	495	3,563	—	911	56,666	61,635
Transfer upon completion . . . . .	—	23,532	—	—	(23,532)	—
Depreciation charges (Note 27) . . . . .	(1,296)	(12,301)	(71)	(1,695)	—	(15,363)
Closing net book amount . . . . .	<u>34,189</u>	<u>168,583</u>	<u>196</u>	<u>36,128</u>	<u>53,073</u>	<u>292,169</u>
<b>At December 31, 2010</b>						
Cost . . . . .	38,493	202,748	440	43,095	53,073	337,849
Accumulated depreciation . . . . .	(4,304)	(31,854)	(244)	(6,967)	—	(43,369)
Impairment(a) . . . . .	—	(2,311)	—	—	—	(2,311)
Net book amount . . . . .	<u>34,189</u>	<u>168,583</u>	<u>196</u>	<u>36,128</u>	<u>53,073</u>	<u>292,169</u>

- (a) Certain idle machineries with the cost amounting to RMB2,978,000 are considered obsolete, and an impairment provision of RMB2,311,000 has been made accordingly based on the assets' fair value less costs to sell.

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

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cost of sales . . . . .	6,247	11,309	14,086
Administrative expenses . . . . .	971	1,142	1,277
	<u>7,218</u>	<u>12,451</u>	<u>15,363</u>

As at December 31, 2008, 2009 and 2010, no property, plant and equipment had been fully depreciated.

As at December 31, 2008, 2009 and 2010 respectively, the Group is in the process of applying for registration of the ownership certificates for certain of its buildings with an aggregate net book value of approximately RMB5,412,000, RMB22,152,000 and RMB21,605,000, respectively. The board of directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

There was no interest capitalised in assets under construction for the year ended December 31, 2008, 2009 and 2010.



## 10 PARTICULARS OF SUBSIDIARIES

Particular of the subsidiaries of the Group as at the date of this report and during the Relevant Periods are set out below:

Company name	Place and date of incorporation and type of legal entities	Issued/paid-in capital	Effective interest held as at			Principal activities and place of operation	Auditor	Years of auditor
			2008	2009	2010			
Tibet 5100 . . . . .	BVI / January 19, 2006 / Limited liability company	USD 100	100%	100%	100%	Investment/BVI	(a)	NA
Sino Ocean . . . . .	BVI / July 28, 2003 / Limited liability company	USD 1	100%	100%	100%	Investment/BVI	(a)	NA
Vicwood . . . . .	BVI / September 3, 2003 / Limited liability company	USD 1	100%	100%	100%	Investment/BVI	(a)	NA
Tibet Zhongji . . . . .	PRC / January 1, 2004 / Chinese-foreign joint venture	USD16,000,000	100%	100%	100%	Investment/PRC	Tibet Zhong Rong Hui CPA Co., Ltd	2008, 2009 & 2010
Tibet Glacier Water . . . . .	PRC / October 31, 2005 / Limited liability company	RMB118,000,000	97.03%	100%	100%	Bottled mineral water manufacturing and sales/PRC	Tibet Zhong Rong Hui CPA Co., Ltd	2008, 2009 & 2010
Beijing 5100 Club . . . . .	PRC / July 13, 2007 / Limited liability company	RMB1,000,000	100%	100%	100%	Bottled mineral water market operation and management/PRC	(a)	NA
Tibet Glacier Marketing . . . . .	PRC / April 21, 2010 / Limited liability company	RMB3,000,000	100%	100%	100%	Bottled mineral water marketing, promotion, distribution and retailing/PRC	Tibet Zhong Rong Hui CPA Co., Ltd	2010

(a) No audited financial statements have been issued for these companies as they are not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.

## 11 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the items in the following table:

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
<b>Receivables</b>			
Trade receivables (Note 13) . . . . .	23,734	43,004	71,991
Other receivables (Note 15) . . . . .	85,469	12,913	2,570
Restricted cash (Note 17) . . . . .	12,566	17,097	—
Cash and cash equivalents (Note 18) . . . . .	<u>46,716</u>	<u>64,034</u>	<u>34,783</u>
	<u>168,485</u>	<u>137,048</u>	<u>109,344</u>

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
<b>Financial liabilities at amortised cost</b>			
Borrowings (Note 20) . . . . .	115,600	79,000	—
Trade payables (Note 24) . . . . .	10,070	23,002	14,516
Accruals and other payables (a) . . . . .	<u>110,126</u>	<u>114,609</u>	<u>124,081</u>
	<u>235,796</u>	<u>216,611</u>	<u>138,597</u>

- (a) Accruals and other payables comprise salary payables, accrued expenses, amounts due to related parties, amounts due to third parties in financing activities and other payables (Note 25).

## 12 CREDIT QUALITY OF FINANCIAL ASSETS

## (a) Financial assets neither past due nor impaired

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

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
<b>Trade receivables</b>			
- Group 2. ....	<u>10,577</u>	<u>32,567</u>	<u>5,126</u>
<b>Other receivables</b>			
- Group 2. ....	<u>85,469</u>	<u>12,913</u>	<u>2,570</u>

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

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

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

## (b) Financial assets past due but not impaired

As at December 31, 2008, 2009 and 2010, trade receivables of approximately RMB13,157,000, RMB10,437,000 and RMB66,865,000 respectively were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
<b>Trade receivables</b>			
Over 2 months but within 6 months. ....	—	4,968	66,353
Over 6 months but within 1 year. ....	10,805	3,083	512
Over 1 year but within 2 years. ....	2,352	119	—
Over 2 years. ....	<u>—</u>	<u>2,267</u>	<u>—</u>
	<u>13,157</u>	<u>10,437</u>	<u>66,865</u>

As at December 31, 2008, 2009 and 2010, no other receivables were past due nor impaired.

(c) **Financial assets impaired**

As at December 31, 2008, 2009 and 2010, no trade receivables were impaired and provided for.

As at December 31, 2008 and 2009, other receivables of approximately RMB8,896,000 and RMB8,896,000 were impaired. The ageing analysis of these other receivables is as follows. As at December 31, 2010, no other receivables were impaired and provided for.

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
<b>Other receivables</b>			
Over 1 year but within 2 years . . . . .	455	455	—
Over 2 years . . . . .	8,441	8,441	—
	8,896	8,896	—
Less: provision for impairment . . . . .	(8,896)	(8,896)	—
	—	—	—

The credit quality of the restricted cash, and cash and cash equivalents is described in Note 4.1(b).

**13 TRADE RECEIVABLES**

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Trade receivables due from third parties . . . . .	23,734	29,432	71,991
Trade receivables due from related parties (Note 37) . .	—	13,572	—
	23,734	43,004	71,991
Less: Provision for impairment of receivables . . . . .	—	—	—
	23,734	43,004	71,991

As at December 31, 2008, 2009 and 2010, the Group's trade receivables were all denominated in RMB.

Trade receivables represent those due from related parties and third party customers with good credit history and low default rates. The Group does not have formal contractual credit terms agreed with the related parties and third party customers but the trade receivables are usually settled within two months. As a result, the Group regards any receivable balance within a two-month credit period as not overdue. As at December 31, 2008, 2009 and 2010, the ageing analysis of trade receivables was as follows:

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Within 2 months . . . . .	10,577	32,567	5,126
Over 2 months but within 6 months . . . . .	—	4,968	66,353
Over 6 months but within 1 year . . . . .	10,805	3,083	512
Over 1 year but within 2 years . . . . .	2,352	119	—
Over 2 years . . . . .	—	2,267	—
	<u>23,734</u>	<u>43,004</u>	<u>71,991</u>

As at December 31, 2008, 2009 and 2010, no trade receivables were impaired and provided for.

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

As at December 31, 2008, 2009 and 2010, the carrying amounts of the above trade receivables approximated their fair values.

#### 14 PREPAYMENTS

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Prepayments made for purchase of raw materials and equipments . . . . .	7,458	6,474	15,233
Prepaid issuance costs(b) . . . . .	—	—	5,097
Prepaid enterprise income tax . . . . .	—	—	84
Prepaid value added tax . . . . .	—	—	895
	<u>7,458</u>	<u>6,474</u>	<u>21,309</u>
Less non-current portion: prepayments made for purchase of equipment (a) . . . . .	<u>(5,058)</u>	<u>(1,638)</u>	<u>(4,629)</u>
Current portion . . . . .	<u>2,400</u>	<u>4,836</u>	<u>16,680</u>

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

- (b) As at December 31, 2010, the issuance costs were professional fees incurred in 2010 for preparation of the Listing of the Company and includes RMB2,960,000 prepaid by the Controlling Shareholder on behalf of the Group (Note 37(a)).

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

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
— RMB . . . . .	7,458	6,474	18,405
— HK\$ . . . . .	—	—	926
— US\$ . . . . .	—	—	1,220
— Euro . . . . .	—	—	758
	<u>7,458</u>	<u>6,474</u>	<u>21,309</u>

## 15 OTHER RECEIVABLES

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Amount due from third parties in financing activities (a) . . . . .	82,910	13,587	1,457
Amount due from related parties (Note 37(b)) . . . . .	10,796	7,296	—
Deposits . . . . .	333	455	582
Others . . . . .	326	471	531
	<u>94,365</u>	<u>21,809</u>	<u>2,570</u>
Less: Provision for impairment (b) . . . . .	<u>(8,896)</u>	<u>(8,896)</u>	<u>—</u>
	<u>85,469</u>	<u>12,913</u>	<u>2,570</u>

- (a) Amounts due from third parties in financing activities are unsecured, interest free, repayable on demand and usually settled within 6 to 12 months (see Note 4.2). All of the outstanding balances have been subsequently settled in Jan 2011.

- (b) As at December 31, 2008 and 2009, provision was made for the amounts due from third parties amounting to RMB1,600,000 and amounts due from related parties amounting to RMB7,296,000; and as at December 31, 2010, the balances were written off and no provision is made for other receivables.

Movements on the Group's provision for impairment of other receivables on an individual basis are as follows:

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
At beginning of the year . . . . .	8,896	8,896	8,896
Write off (c) . . . . .	—	—	(8,896)
At end of the year . . . . .	<u>8,896</u>	<u>8,896</u>	<u>—</u>

(c) During the year ended December 31, 2010, management wrote off amounts due from third parties and related parties amounting to RMB8,896,000, as the debtors have become liquidated.

The creation and release of provisions for impaired receivables have been included in administrative expenses in the combined income statement. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

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

As at December 31, 2008, 2009 and 2010, the Group's other receivables were all denominated in RMB.

## 16 INVENTORIES

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Raw materials . . . . .	13,028	12,459	25,253
Finished goods . . . . .	2,828	6,545	6,004
Consumable materials . . . . .	681	734	944
	<u>16,537</u>	<u>19,738</u>	<u>32,201</u>

The cost of inventories recognised as expense and included in 'cost of sales' amounted to approximately RMB59,147,000, RMB89,701,000 and RMB123,456,000 for years ended December 31, 2008, 2009 and 2010, respectively.

As at December 31, 2008, 2009 and 2010, the carrying amount of the Group's inventories did not exceed the net realisable value, and no provision for declines of the value of inventories was made.

## 17 RESTRICTED CASH

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Restricted cash. . . . .	12,566	17,097	—

All the Group's restricted cash are denominated in RMB.

The restricted cash is held in dedicated bank accounts which include balances secured for the issuance of bank acceptance notes to suppliers and balances secured for certain short-term bank borrowings (Note 20).

The interest rate of the restricted cash as at December 31, 2008 and 2009 was 3.77% and 2.03% (per annum), respectively.

## 18 CASH AND CASH EQUIVALENTS

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cash on hand. . . . .	75	62	61
Bank deposits . . . . .	46,641	63,972	34,722
Cash and cash equivalents . . . . .	46,716	64,034	34,783
Denominated in:			
— RMB . . . . .	45,515	62,809	33,602
— US\$. . . . .	974	1,001	982
— HK\$. . . . .	227	224	199
	46,716	64,034	34,783

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

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



## 19 RESERVES

	Capital reserve	Statutory surplus reserve	Foreign currency translation differences	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>At January 1, 2008 (a)</b> . . . . .	122,691	—	(14)	122,677
Capital injection from equity holders (b) . . . . .	13,646	—	—	13,646
Contribution from Controlling Shareholder (c) . . . . .	3,000	—	—	3,000
Acquisition of additional interest in a subsidiary (Note 36) . . . . .	47	—	—	47
Foreign currency translation differences . . . . .	—	—	(75)	(75)
Appropriation to statutory surplus reserves (d) . . . . .	—	1,909	—	1,909
<b>At December 31, 2008</b> . . . . .	139,384	1,909	(89)	141,204
Contribution from Controlling Shareholder (c) . . . . .	3,000	—	—	3,000
Acquisition of additional interest in a subsidiary (Note 36) . . . . .	628	—	—	628
Appropriation to statutory surplus reserves (d) . . . . .	—	5,626	—	5,626
<b>At December 31, 2009</b> . . . . .	143,012	7,535	(89)	150,458
Contribution from Controlling Shareholder (c) . . . . .	3,000	—	—	3,000
Foreign currency translation differences . . . . .	—	—	(11)	(11)
Appropriate to statutory surplus reserves (d) . . . . .	—	12,765	—	12,765
<b>At December 31, 2010</b> . . . . .	<u>146,012</u>	<u>20,300</u>	<u>(100)</u>	<u>166,212</u>

- (a) The brought forward reserve balance as at January 1, 2008 represented the combined paid-in capital of the subsidiaries now comprising the Group as at January 1, 2008, after eliminating intra-group investments.
- (b) In July 2008, the equity holder injected capital of USD2,000,000 (RMB13,646,000) into Tibet Zhongji by cash.
- (c) During the years ended December 31, 2008, 2009 and 2010, management compensation of the Group amounting to RMB3,000,000, RMB3,000,000, and RMB3,000,000, respectively were paid by the Controlling Shareholder and credited to equity as contribution from Controlling Shareholder.
- (d) According to the provisions of the articles of association of the Group's subsidiaries located in PRC ("PRC subsidiaries"), the PRC subsidiaries shall first set aside 10% of its profit attributable to equity holders after tax as indicated in their statutory financial statements for the statutory surplus reserve (except where the reserve has reached 50% of the entity's registered share capital) in each year. PRC subsidiaries may also make appropriations from its profit attributable to shareholders to a discretionary surplus reserve, provided it is approved by a resolution passed in a shareholders' general meeting. These reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends without the prior approval obtained from the shareholders in a shareholders' general meeting under specific circumstances.

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

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

For the years ended December 31, 2008, 2009 and 2010, the directors of the PRC subsidiaries proposed the appropriations amounting to RMB1,909,000, RMB5,626,000 and RMB12,765,000 respectively to statutory surplus reserve of the Group.

## 20 BORROWINGS

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
<b>Non-current</b>			
Bank borrowings repayable between 1 to 2 years — secured . . . . .	—	70,000	—
Total non-current borrowings . . . . .	—	70,000	—
<b>Current</b>			
Bank borrowings — secured . . . . .	115,600	9,000	—
Total current borrowings . . . . .	115,600	9,000	—
Total borrowings . . . . .	<u>115,600</u>	<u>79,000</u>	<u>—</u>

All the borrowings were denominated in RMB as at December 31, 2008, 2009 and 2010.

As at December 31, 2008 and 2009, restricted cash with a total value of RMB10,000,000 had been pledged as security for short-term bank borrowings of RMB9,000,000 (Note 17). As at December 31, 2010, such borrowing was repaid, and the security was released accordingly.

As at December 31, 2008, short-term bank borrowings amounting to RMB36,600,000 were guaranteed by Wilton Pacific Limited ('Wilton') (Note 37 (a)). As at December 31, 2009 and December 31, 2010, such borrowings were repaid and the guarantee has been released accordingly.

Short-term bank borrowings amounting to RMB70,000,000 as at December 31, 2008, and long-term bank borrowings amounting to RMB70,000,000 as at December 31, 2009, were secured by pledged assets of a third party. As at December 31, 2010, such borrowings were repaid, and the security has been released.

The Group did not have any undrawn borrowing facilities as at December 31, 2008, 2009 and 2010.

Management considers that there is no overriding repayment on demand clause, which gives the lender of the borrowings the right to demand repayment at any time at their sole discretion, irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the agreement.

The weighted average effective interest rates (per annum) at the respective balance sheet dates were as follows:

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Bank borrowings — current . . . . .	5.72%	5.02%	3.33%
Bank borrowings — non-current . . . . .	—	3.42%	3.42%

The exposure of the Company's borrowings to interest rate changes and the contractual repricing dates at the end of each reporting period is as follows:

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
6 months or less . . . . .	115,600	—	—
6-12 months . . . . .	—	9,000	—
1-2 years . . . . .	—	70,000	—
	<u>115,600</u>	<u>79,000</u>	<u>—</u>

The fair value of current and the non-current borrowings approximated their carrying amount, as the impact of discounting is not significant.

## 21 DEFERRED INCOME TAX

The analysis of deferred tax assets is as follows:

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Deferred tax assets:			
— Deferred tax asset to be recovered after more than 12 months . . . . .	495	527	2,177
— Deferred tax asset to be recovered within 12 months . . . . .	<u>689</u>	<u>1,100</u>	<u>1,389</u>
Deferred tax assets . . . . .	<u><u>1,184</u></u>	<u><u>1,627</u></u>	<u><u>3,566</u></u>

The gross movement on the deferred income tax is as follows:

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
At beginning of the year . . . . .	464	1,184	1,627
Income statement credit (Note 30) . . . . .	<u>720</u>	<u>443</u>	<u>1,939</u>
At end of the year . . . . .	<u><u>1,184</u></u>	<u><u>1,627</u></u>	<u><u>3,566</u></u>

There is no deferred tax liability and the movement in deferred tax assets during the year is as follows:

Deferred tax assets	Provisions for impairment	Deferred revenue	Deferred income	Accrued expenses	Other deductible temporary differences	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2008 . . . . .	415	—	—	—	49	464
Credited to the income statement . . . . .	—	393	—	296	31	720
At December 31, 2008 . . . . .	415	393	—	296	80	1,184
Credited/(charged) to the income statement . . . . .	—	500	—	(89)	32	443
At December 31, 2009 . . . . .	415	893	—	207	112	1,627
(Charged)/credited to the income statement . . . . .	(68)	(893)	1,732	1,067	101	1,939
At December 31, 2010 . . . . .	<u>347</u>	<u>—</u>	<u>1,732</u>	<u>1,274</u>	<u>213</u>	<u>3,566</u>

As at December 31, 2008, 2009 and 2010, as the Company's certain subsidiaries' future taxable income will not be available against which their temporary losses can be utilised and also the losses of those certain subsidiaries will not be offset by the taxable income of the other subsidiaries within the Group due to that there is not a legally enforceable right to do so, the Group did not recognise deferred income tax assets of RMB6,905,000, RMB8,488,000 and RMB10,579,000 in respect of losses amounting to RMB45,977,000, RMB56,020,000 and RMB61,289,000 that can be carried forward against future taxable income. Losses amounting to RMB61,289,000 as at December 31, 2010 with expire dates are listed as below:

Year ended December 31,					
2011	2012	2013	2014	2015	Total
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>11,520</u>	<u>17,063</u>	<u>10,175</u>	<u>10,042</u>	<u>12,489</u>	<u>61,289</u>

**22 DEFERED REVENUE AND ADVANCES RECEIVED FROM CUSTOMERS**

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Deferred revenue . . . . .	7,745	13,486	—
Advances received from customers. . . . .	<u>7,168</u>	<u>7,262</u>	<u>26,050</u>
	<u>14,913</u>	<u>20,748</u>	<u>26,050</u>

As at December 31, 2008, 2009 and 2010, the Group's deferred revenue and advances received from customers were all denominated in RMB and usually settled within 12 months.

**23 DEFERRED INCOME**

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Government grant relating to PPE . . . . .	<u>—</u>	<u>—</u>	<u>11,550</u>

According to Zang Fa Gai Tou Zi 藏發改投資 [2010] No 337, Tibet Glacier Water, one of the Group's subsidiaries, is granted and received a subsidy income from the local government to compensate its efforts to increase its production capacity, which will be examined and approved by the local government when the expansion is finally completed. As at December 31, 2010, the Group recognised such income of RMB11,550,000 as deferred income and it is to be credited to the combined income statement over the expected lives of the related assets.

**24 TRADE PAYABLES**

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Trade payables . . . . .	7,504	15,907	12,534
Notes payables . . . . .	<u>2,566</u>	<u>7,095</u>	<u>1,982</u>
	<u>10,070</u>	<u>23,002</u>	<u>14,516</u>

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Within 45 days . . . . .	5,230	9,473	5,552
Over 45 days but within 6 months . . . . .	3,023	9,813	8,217
Over 6 months but within 1 year . . . . .	924	3,009	—
Over 1 year but within 2 years . . . . .	893	240	68
Over 2 years . . . . .	—	467	679
	<u>10,070</u>	<u>23,002</u>	<u>14,516</u>

As at December 31, 2008, 2009 and 2010, the Group's trade payables were all denominated in RMB.

As at December 31, 2008, 2009 and 2010, the Group's notes payables are not interest bearing.

## 25 ACCRUALS AND OTHER PAYABLES

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Salary payables . . . . .	751	1,451	1,364
Welfare payables . . . . .	99	410	214
Value added tax and other taxes payable . . . . .	2,976	8,216	384
Accrued expenses . . . . .	4,937	2,761	8,491
Amounts due to related parties (Note 37),(a) . . . . .	6,855	21,382	63,436
Amounts due to third parties in financing activities(b). . . . .	88,279	64,297	32,134
Other payables . . . . .	9,304	24,718	18,656
	<u>113,201</u>	<u>123,235</u>	<u>124,679</u>

(a) The amounts as at December 31, 2010 were due to Water Resources and International Green Beverage Ltd 國際綠色飲品有限公司 ("Green Beverage"), which are under common control by the Controlling Shareholder. Water Resource and Green Beverage are engaged in overseas investment holding and international trading activities. The Group purchased overseas equipment and these two companies paid on behalf of the Group in the past and no mark-up was charged by these companies. The outstanding balances as at December 31, 2010 have been settled subsequent to December 31, 2010. From January 1, 2011, the Group purchases its overseas equipment directly from the overseas suppliers.

(b) Amounts due to third parties in financing activities are unsecured, interest free, repayable on demand and usually settled within 6 to 12 months (see Note 4.2). All of the outstanding balances have been subsequently settled in Jan 2011.

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

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
— RMB . . . . .	113,201	90,230	64,553
— US\$ . . . . .	—	19,689	19,097
— Euro . . . . .	—	13,316	28,919
— Yen . . . . .	—	—	12,110
	<u>113,201</u>	<u>123,235</u>	<u>124,679</u>

## 26 OTHER (LOSSES)/GAINS, NET

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Government grants (a) . . . . .	2	2,506	2,484
Others . . . . .	<u>(446)</u>	<u>(244)</u>	<u>(51)</u>
	<u>(444)</u>	<u>2,262</u>	<u>2,433</u>

- (a) According to Zang Zheng Ban 藏政辦 [1997]No 24, Tibet Glacier Water, one of the Group's subsidiaries, is eligible to subsidy income from the local government in relation to the subsidiary's fiscal contribution to the local economic development. The Group recognised such income of RMB2,000, RMB2,506,000 and nil for the years ended December 31, 2008, 2009 and 2010 respectively.

Other than the government grants mentioned above, for the year ended December 31, 2010, the Group received certain subsidy from the local government and recognised subsidy income of RMB1,884,000 for compensating the interests paid for bank borrowings that were used as working capital, and RMB600,000 for rewarding the Group's performance in setting up the premium brand in the sales of the bottled water products.



## 27 EXPENSES BY NATURE

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

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Raw materials and consumables used . . . . .	48,192	66,030	90,264
(Increase)/decrease in the balances of inventories of finished goods . . . . .	(2,430)	(3,717)	541
Transportation costs . . . . .	28,153	57,342	78,791
Depreciation of PP&E (Note 9) . . . . .	7,218	12,451	15,363
Employee benefit expenses (Note 28) . . . . .	8,770	12,853	15,709
Advertising expenditure . . . . .	2,702	2,722	1,855
Value added taxes on free goods and other taxes . . . . .	2,165	6,276	9,600
Electricity and other utility expenses . . . . .	1,859	3,980	6,040
Repair and maintenance . . . . .	288	157	2,021
Amortisation of land use rights (Note 8) . . . . .	29	29	29
Auditors' remuneration . . . . .	108	106	120
Rental expenses . . . . .	88	129	743
Exploration rights expenses (a) . . . . .	300	300	500
Others . . . . .	3,510	4,455	6,707
	<u>100,952</u>	<u>163,113</u>	<u>228,283</u>

- (a) As described in Note 1, the Group obtained the exploration rights in 2006, and according to the agreement to explore, the Group is required to pay RMB2,000,000 in 2006, RMB300,000 every year during the period from 2007 to 2009, and RMB500,000 every year starting from 2010. The Group charged such payments to "cost of sales" in the combined income statement during the year in which they are incurred.

## 28 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Wages and salaries . . . . .	8,394	12,241	14,506
Provision for medical and other employee benefit . . . .	97	145	298
Contributions to a defined contribution pension scheme (a) . . . . .	198	262	574
Contributions to the housing scheme (b) . . . . .	81	205	331
	<u>8,770</u>	<u>12,853</u>	<u>15,709</u>
Average number of people employed (number of people) . . . . .	<u>145</u>	<u>240</u>	<u>285</u>

## (a) Pension scheme

All full-time employees of the Group are entitled to join a statutory pension scheme. The retired employees are entitled to pension payments equal to their basic salaries payable upon their retirement up to their death. Pursuant to the PRC laws and regulations, contributions to the basic old age insurance for the Group's local staff are to be made on a monthly basis to a government agency based on a certain percentage of their monthly salaries. The relevant government agency is responsible for the pension liabilities due to the employees upon their retirement. The Group accounts for these contributions on an accrual basis and charges the related contributions to combined income statement in the year to which the contributions relate.

## (b) Housing scheme

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

## (c) Directors' emoluments

	Basic salaries		
	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Mr. Yu Yiping Wallace . . . . .	1,000	1,000	1,000
Mr. Fu Lin . . . . .	1,000	1,000	1,000
Mr. Yue Zhiqiang . . . . .	500	500	500
Ms. Mou Chunhua . . . . .	250	250	250
Ms. Jiang Xiaohong . . . . .	250	250	250
Mr. Liu Chen . . . . .	—	—	—
Mr. Jesper Bjoern Madsen . . . . .	—	—	—
Mr. Lee Kong Wai, Conway . . . . .	—	—	—
Mr. Wei Cheng, Kevin . . . . .	—	—	—
	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>

There was no fee, discretionary bonus, inducement fee, contribution to pension scheme, and compensation for loss of office as director during the years ended December 31, 2008, 2009 and 2010.

## (d) Five highest paid individuals

For the years ended December 31, 2008, 2009 and 2010, the five individuals whose emoluments were the highest in the Group are the five directors whose emoluments are reflected in the analysis presented above.

## 29 FINANCE COSTS, NET

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Interest expense:			
— Bank borrowings wholly repayable within five years . . . . .	5,858	3,770	2,447
Net foreign exchange losses on the payables denominated in foreign currencies arising from purchase of PPE . . . . .	—	1,505	—
Other finance costs . . . . .	292	154	79
<b>Finance costs</b> . . . . .	<u>6,150</u>	<u>5,429</u>	<u>2,526</u>
Interest income on bank deposits . . . . .	(1,030)	(1,390)	(420)
Net foreign exchange gains on the payables denominated in foreign currencies arising from purchase of PPE . . . . .	—	—	(46)
Other net foreign exchange gains . . . . .	—	—	(56)
<b>Finance income</b> . . . . .	<u>(1,030)</u>	<u>(1,390)</u>	<u>(522)</u>
<b>Finance costs, net</b> . . . . .	<u><u>5,120</u></u>	<u><u>4,039</u></u>	<u><u>2,004</u></u>

## 30 INCOME TAX EXPENSE

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

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Current income tax . . . . .	1,765	3,879	19,398
Deferred income tax credit (Note 21) . . . . .	(720)	(443)	(1,939)
Income tax expense . . . . .	<u><u>1,045</u></u>	<u><u>3,436</u></u>	<u><u>17,459</u></u>

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

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Profit before income tax . . . . .	12,958	50,872	132,672
Tax calculated at statutory tax rate of 25% . . . . .	3,240	12,718	33,168
Preferential tax rates on income of certain group entities . . . . .	(7,061)	(12,283)	(18,479)
Tax losses of certain group entities for which no deferred income taxes assets were recognised . . . . .	2,523	2,511	3,122
Expenses not deductible for tax purposes . . . . .	140	84	189
Effect of change in statutory tax rate on recognition of deferred tax . . . . .	2,203	406	(541)
Income tax expense . . . . .	<u>1,045</u>	<u>3,436</u>	<u>17,459</u>

The weighted average tax rate is 5.0%, 6.0%, 12.8% for the years ended December 31, 2008, 2009 and 2010, respectively.

No provision for overseas profits tax of the group entities incorporated in BVI has been made as the entities do not have any assessable profit for the Relevant Periods.

The group entities incorporated in the PRC are subject to PRC enterprise income tax. One entity in the Tibet Autonomous Region of PRC was entitled to preferential rates of 5%, 6%, 7.5% for the years ended December 31, 2008, 2009 and 2010, respectively; another entity in the Tibet Autonomous Region of PRC was entitled to preferential rates of 10%, 12%, 15% for the years ended December 31, 2008, 2009 and 2010, respectively; other entities located in the Tibet Autonomous Region of PRC were taxed at preferential rate of 15%; the remaining entities are taxed based on the statutory income tax rate of 25% for the Relevant Periods as determined in accordance with the relevant PRC income tax rules and regulations.

**31 NET FOREIGN EXCHANGE LOSSES/(GAINS)**

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

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Net finance costs/(gains) (Note 29) . . . . .	—	1,505	(102)

**32 EARNINGS PER SHARE**

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered as meaningful due to the presentation of the results of the Group for the Relevant Periods is on a combined basis.

**33 DIVIDENDS**

No dividend has been declared by the Company or any of its subsidiaries during the Relevant Periods.

**34 CASH GENERATED FROM OPERATIONS**

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Profit before income tax . . . . .	12,958	50,872	132,672
Adjustments for:			
Amortisation of land use rights (Note 27) . . . . .	29	29	29
Depreciation of PP&E (Note 27) . . . . .	7,218	12,451	15,363
Interest expense (Note 29) . . . . .	5,858	3,770	2,447
Net foreign exchange losses/(gains) (Note 31) . . . . .	—	1,505	(102)
Interest income (Note 29) . . . . .	(1,030)	(1,390)	(420)
Employee benefits paid by the Controlling Shareholder (See below (i)) . . . . .	3,000	3,000	3,000
<b>Operating profit before working capital changes . . .</b>	<b>28,033</b>	<b>70,237</b>	<b>152,989</b>
Increase in inventories . . . . .	(9,928)	(3,201)	(12,463)
Increase in trade receivables . . . . .	(14,623)	(19,270)	(28,987)
Increase in prepayments and other receivables . . . . .	(188)	(2,703)	(8,450)
Decrease/(increase) in restricted cash . . . . .	140,434	(4,531)	17,097
Increase/(decrease) in accounts payables . . . . .	3,956	12,932	(8,486)
(Decrease)/increase in accruals and other payables . . . . .	(135,307)	2,970	(3,937)
Increase in deferred revenue and advance received from customers . . . . .	14,686	5,835	5,302
<b>Cash generated from operations . . . . .</b>	<b>27,063</b>	<b>62,269</b>	<b>113,065</b>

(i) Non-cash transactions:

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Employee benefits paid by the Controlling Shareholder (Note 19(c)) . . . . .	3,000	3,000	3,000
Issuance cost prepaid by the Controlling Shareholder (Note 14). . . . .	—	—	2,960
Consideration settled in other receivables for the acquisition of additional interest in a subsidiary from non-controlling interests (Note 36) . . . . .	300	3,500	—
Amounts paid by the related parties on behalf of the Group to purchase equipment (Note 37) . . . . .	—	13,587	40,759
	<u>—</u>	<u>13,587</u>	<u>40,759</u>

**35 COMMITMENTS****(a) Capital commitments**

As at December 31, 2008, 2009 and 2010, capital expenditures contracted for at the end of the reporting period but not yet incurred were as follows:

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Property, plant and equipment . . . . .	<u>30,066</u>	<u>—</u>	<u>2,549</u>

**(b) Operating lease commitments**

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

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
No later than 1 year. . . . .	32	66	594
Later than 1 year and no later than 5 years . . . . .	<u>—</u>	<u>115</u>	<u>1,701</u>
	<u>32</u>	<u>181</u>	<u>2,295</u>

**36 TRANSACTIONS WITH NON-CONTROLLING INTERESTS****(a) Acquisition of additional interest in a subsidiary**

On December 8, 2008 and January 4, 2009 respectively, Tibet Zhongji, one of the Company's subsidiaries, acquired an additional 0.25% and 2.97% of the issued shares of Tibet Glacier Water from the non-controlling equity holders for purchase considerations of RMB300,000 and RMB3,500,000 respectively. The carrying amounts of the non-controlling interests in Tibet Glacier Water on the dates of acquisition were RMB347,000 and RMB4,128,000 respectively. The Group recognised a decrease in non-controlling interests of RMB347,000 and RMB4,128,000, and an increase in reserve attributable to equity holders of the Company of RMB47,000 and RMB628,000. The effect of changes in the ownership interest of Tibet Glacier Water on the equity attributable to equity holders of the Company is summarised as follows:

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Carrying amount of non-controlling interests acquired . . . . .	347	4,128	—
Consideration to non-controlling interests (34(i)) . . . . .	<u>(300)</u>	<u>(3,500)</u>	<u>—</u>
Excess recognised within equity . . . . .	<u>47</u>	<u>628</u>	<u>—</u>

**37 RELATED-PARTY TRANSACTIONS**

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

The Group is ultimately controlled by the Controlling Shareholder.

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

The following non-continuing transactions were carried out with related parties:

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Sales of goods			
- An entity named Tibet 5100 Water Company Ltd. governed by a subsidiary of Wilmar (i) . . . . .	—	17,189	—



- (i) In April 2009, the Group's direct equity holder, Tibet Water Resources Limited ("Tibet Water Resources") 西藏水資源有限公司, transferred its 25% interest in Tibet 5100 to Wilmar International Limited ("Wilmar"), who then had significant influence over Tibet 5100 and the Group; in April 2010, Tibet Water Resource acquired back from Wilmar the aforementioned 25% interest in Tibet 5100.

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Amounts paid by related parties on behalf of the Group to purchase equipment			
- Entities under common control . . . . .	—	13,587	40,759
Management compensation paid by			
- Controlling Shareholder (Note 19(c)). . . . .	3,000	3,000	3,000
Issuance costs prepaid by			
- Controlling Shareholder. . . . .	—	—	2,960
Guarantee provided by			
- An entity controlled by Mr. Yu Yiping Wallace, the Chairman of the Group. . . . .	36,600	—	—

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

The Group had the following material balances with related parties:

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Trade receivables			
- An entity governed by a subsidiary of Wilmar. . . . .	—	13,572	—
Other receivables			
- An entity controlled by Mr. Yu Yiping Wallace . . . . .	10,796	7,296	—
Accrual and other payables			
- An entity governed by a subsidiary of Wilmar . . . . .	—	940	—
- Entities under common control by Controlling Shareholder . . . . .	6,855	20,442	60,532
- Controlling Shareholder. . . . .	—	—	2,904
	<u>6,855</u>	<u>21,382</u>	<u>63,436</u>

The receivable and payable balances are unsecured, interest free and have no fixed terms of repayment. All balances with related parties have been fully settled prior to the Listing of the Company.

**(c) Key management compensation**

For the years ended December 31, 2008, 2009 and 2010, the key management compensation of the Group were all paid/payable by the shareholders of the Company. The compensation paid/payable to key management is shown below:

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Basic salaries.....	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>

**38 EVENTS AFTER THE REPORTING PERIOD**

- (a) As described in Note 1.1, the Company was incorporated in the Cayman Islands under the Companies Law as an exempted company on November 8, 2010.
- (b) Pursuant to the Reorganisation as described in Note 1.2 above, which was completed on June 13, 2011, the Company became the holding company of the subsidiaries now comprising the Group.

**III FINANCIAL INFORMATION OF THE COMPANY**

The Company was incorporated on November 8, 2010 with an initial authorised share capital of HKD380,000, divided into 38,000,000 shares of HKD0.01 each. On the date of incorporation, 1 ordinary share was issued nil paid to the subscriber, which was subsequently transferred to the the company owned by the Controlling Shareholder on the same date. The Company had not been involved in any significant business transactions since its date of incorporation to December 31, 2010. As at December 31, 2010, the Company had an amount due from related party balance of HKD 0.01 and a share capital of HKD0.01. Save as aforesaid, it had no other assets, liabilities or distributable reserve as at December 31, 2010.

**IV SUBSEQUENT FINANCIAL INFORMATION**

No audited financial statements have been prepared for the Company and its subsidiaries in respect of any period subsequent to December 31, 2010 and save as disclosed in this report, no dividend or distribution has been declared, made or paid by the Company or any of its subsidiaries in respect of any period subsequent to December 31, 2010.

Yours faithfully,  
**PricewaterhouseCoopers**  
*Certified Public Accountants*  
 Hong Kong

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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**A.    UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS**

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below for the purpose of illustrating the effect of the Global Offering on the net tangible assets of our Group as at December 31, 2010 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our net tangible assets of our Group as at December 31, 2010 or at any future dates following the completion of the Global Offering. The unaudited pro forma adjusted net tangible assets is based on our audited combined net tangible assets of our Group attributable to our equity holders as at December 31, 2010, as shown in the Accountant’s Report of our Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	<b>Audited combined net tangible assets attributable to equity holders of our Company as at December 31, 2010<sup>(1)</sup></b>	<b>Estimated net proceeds from the Global Offering<sup>(2)</sup></b>	<b>Unaudited pro forma adjusted net tangible assets attributable to equity holders of our Company</b>	<b>Unaudited pro forma adjusted net tangible assets per Share<sup>(3)</sup></b>	
	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB</b>	<b>HK\$</b>
Based on an Offer Price of HK\$2.62 per Share . . . . .	283,091	919,447	1,202,538	0.48	0.58
Based on an Offer Price of HK\$3.50 per Share . . . . .	283,091	1,246,272	1,529,363	0.61	0.73

*Notes:*

- (1) The audited combined net tangible assets of our Group attributable to equity holders of our Company as at December 31, 2010 has been extracted from the Accountant’s Report of our Company as set out in Appendix I to this Prospectus which is based on the audited combined net assets of our Group attributable to equity holders of our Company as at December 31, 2010 of RMB283,091,000.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price range of HK\$2.62 per Share and HK\$3.50 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by our Company. No account has been taken of the Shares that may be allotted and issued upon the exercise of the Over-allotment Option or any shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 2,500,000,000 Shares were in issue assuming that the Global Offering had been completed on December 31, 2010 but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate.

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## APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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- (4) By comparing the valuation of our Company's property interests of RMB39,098,000 as set out in Appendix IV to this Prospectus and the unaudited net book value of these properties as at March 31, 2011, the net revaluation surplus is approximately RMB3,947,000, which has not been included in the above net tangible assets attributable to equity holders of our Company as at December 31, 2010. The revaluation of the Group's property interests will not be incorporated in the Group's financial information. If the revaluation surplus was to be included in the Group's financial information, an additional depreciation charge of approximately RMB130,000 per annum related to buildings and land use rights would be recorded.
- (5) No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to December 31, 2010.
- (6) For the purpose of the estimated net proceeds from the Global Offering, the translation of Renminbi into HK dollars was made at the PBOC rate of HK\$1.00 to RMB0.8337 prevailing on June 13, 2011.

### B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The unaudited pro forma forecast earnings per Share prepared in accordance with Rule 4.29 of the Listing Rules is set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on January 1, 2011. This unaudited pro forma forecast earnings per share has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Group for the year ending December 31, 2011 or any future period.

Forecast consolidated profit attributable to equity holders of our Company for the year ending December 31, 2011	Not less than RMB370.5 million (approximately HK\$444.4 million)
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Unaudited pro forma forecast earnings per Share	Not less than RMB0.15 (approximately HK\$0.18)
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*Notes:*

- (1) The forecast consolidated profit attributable to equity holders of our Company for the year ending December 31, 2011 is extracted from the section headed "Financial Information — Profit Forecast" in this Prospectus. The bases and assumptions on which the above profit forecast has been prepared are set out in Appendix III to this Prospectus. The Directors have prepared the forecast consolidated profit attributable to equity holders of our Company for the year ending December 31, 2011 based on unaudited combined results from the management accounts for the three months ended March 31, 2011 and the forecast of the consolidated results for the remaining nine months ending December 31, 2011. The forecast has been prepared on the basis of accounting policies consistent in all material respects with those presently adopted by the Group as set out in Note 3 of the Accountant's Report, the text of which is set out in Appendix I to this Prospectus.
- (2) The calculation of unaudited pro forma forecast earnings per Share for the year ending December 31, 2011 is based on the forecast consolidated profit attributable to equity holders of our Company for the year ending December 31, 2011 and on the basis that 2,500,000,000 Shares were in issue during the entire period and assuming that the Global Offering had been completed on January 1, 2011. The calculation takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate.
- (3) For the purpose of this unaudited pro forma forecast earnings per Share, the translation of Renminbi into Hong Kong dollars is made at the PBOC rate of HK\$1.00 to RMB0.8337 prevailing on June 13, 2011.

**C. ACCOUNTANT’S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



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羅兵咸永道會計師事務所

**PricewaterhouseCoopers**  
22/F, Prince's Building  
Central, Hong Kong

**ACCOUNTANT’S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF TIBET 5100 WATER RESOURCES HOLDINGS LTD.**

We report on the unaudited pro forma financial information of Tibet 5100 Water Resources Holdings Ltd. (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages II-1 to II-2 under the headings of “Unaudited Pro Forma Statement of Adjusted Net Tangible Assets” and “Unaudited Pro Forma Earnings Per Share” (the “Unaudited Pro Forma Financial Information”) in Appendix II of the Company’s prospectus dated June 20, 2011 (the “Prospectus”), in connection with the proposed initial public offering of the shares of the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed initial public offering might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages II-1 to II-2 of the Prospectus.

**Respective Responsibilities of Directors of the Company and the Reporting Accountant**

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of Opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountant’s Reports on Pro Forma Financial Information in Investment

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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Circulars” issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the audited combined net assets of the Group as at December 31, 2010 with the accountant’s report as set out in Appendix I of the Prospectus and comparing the unaudited forecast consolidated profit attributable to equity holders of the Company for the year ending December 31, 2011 with the profit forecast as set out in the section headed “Financial Information — Profit Forecast” in the Prospectus, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the adjusted net tangible assets of the Group as at December 31, 2010 or any future date, or
- the earnings per share of the Group for year ending December 31, 2011 or any future periods.

**Opinion**

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**PricewaterhouseCoopers**  
Certified Public Accountants  
Hong Kong, June 20, 2011

**(I) BASES AND ASSUMPTIONS**

Our Directors have prepared the forecast of the consolidated profit attributable to equity holders of our Company for the year ending December 31, 2011 based on unaudited combined management accounts for the three months ended March 31, 2011 and the forecast of the consolidated results for the remaining nine months ending December 31, 2011. The forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by our Company as set out in Note 3 of section II of the Accountant's Report, the text of which is set out in Appendix I of this Prospectus, and on the following principal assumptions:

- (a) There will be no material changes in the existing government policies, political, legal, fiscal, market or economic conditions in the PRC or the industry in which the Group operates during the forecast period;
- (b) There will be no significant changes in the bases and statutory rates of income tax and value-added tax in the PRC applicable to the Group during the forecast period;
- (c) There will not be material changes in the bases or applicable rates of surcharges or other government levies in the PRC in which the Group operates during the forecast period;
- (d) There will be no material changes in inflation, interest rates or foreign exchange rates from those currently prevailing in the PRC where our customers and suppliers operate during the forecast period;
- (e) The PRC government will continue to adopt moderate macroeconomic and monetary policies in order to maintain a consistent rate of economic growth;
- (f) The Group's operations, results, and financial positions will not be materially and adversely affected by any of the risk factors set out in "Risk Factors";
- (g) The Group will be able to continue in business as a going concern and will not be materially interrupted by any unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including but not limited to the outbreak of severe communicable diseases, raw material or electricity shortage;
- (h) The Group will be able to recruit sufficient qualified personnel and adjust its services to achieve its planned expansion and the operation requirements of the Group during the forecast period;
- (i) The Directors and key senior management of our Group will continue to involve in the development and operation of our Group and our Group will be able to retain its key senior management and personnel during the forecast period;
- (j) There will be no material changes in the Group's mode of business dealings with its customers and suppliers. All signed contracts will be honored by the counterparties, all verbal agreements relating to the committed sales orders with customers will be honored during the forecast period. In addition, the Group's existing relationship with China Railway Express Co., Ltd. ("CRE") will be maintained;

- (k) The Group's new production lines will contribute production capacity according to the Group's estimate;
- (l) A government grant of RMB142.3 million has been included in the profit forecast. The Group will be able to obtain the forecast governmental grants from the local government during the forecast period in a timely manner based on the relevant government contracts or policies which set out the criteria for such grant income;
- (m) The Company does not plan to declare any dividends during the forecast period.



## (II) LETTER FROM THE REPORTING ACCOUNTANT

The following is the text of a letter received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus.



羅兵咸永道會計師事務所

**PricewaterhouseCoopers**  
22/F, Prince's Building  
Central, Hong Kong

June 20, 2011

The Directors  
Tibet 5100 Water Resources Holdings Ltd.

J.P. Morgan Securities (Asia Pacific) Limited  
CCB International Capital Limited  
ICBC International Capital Limited  
CITIC Securities Corporate Finance (HK) Limited

Dear Sirs,

We have reviewed the calculations of and accounting policies adopted in arriving at the forecast of the consolidated profit attributable to equity holders of Tibet 5100 Water Resources Holdings Ltd. (the “Company”) for the year ending December 31, 2011 (the “Profit Forecast”) as set out in the subsection headed “Profit forecast” in the section headed “Financial information” in the prospectus of the Company dated June 20, 2011 (the “Prospectus”).

We conducted our work in accordance with Auditing Guideline 3.341 on “Accountant’s report on profit forecasts” issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast, for which the directors of the Company are solely responsible, has been prepared by them based on the unaudited combined management accounts of the Company and its subsidiaries (hereinafter collectively referred to as “the Group”) for the three months ended March 31, 2011 and a forecast of the consolidated results of the Group for the remaining nine months ending December 31, 2011.

In our opinion, the Profit Forecast, so far as the calculations and accounting policies are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of the Company as set out on page III-1 to III-2 of the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies adopted by the Group as set out in Note 3 of section II of the Financial Information section in Appendix I of the Prospectus.

Yours faithfully,  
**PricewaterhouseCoopers**  
*Certified Public Accountants*  
*Hong Kong*

**(III) LETTER FROM THE JOINT SPONSORS****J.P. Morgan Securities (Asia Pacific) Limited**

28/F Chater House  
8 Connaught Road  
Central  
Hong Kong

**CCB International Capital Limited**

34/F, Two Pacific Place  
88 Queensway, Admiralty  
Hong Kong

**ICBC International Capital Limited**

Levels 17 & 18, Three Pacific Place  
1 Queen's Road East  
Hong Kong

**CITIC Securities Corporate Finance (HK) Limited**

26/F, CITIC Tower  
1 Tim Mei Avenue, Central  
Hong Kong

June 20, 2011

The Directors  
Tibet 5100 Water Resources Holdings Ltd.

Dear Sirs,

We refer to the forecast of the consolidated profit attributable to equity holders of Tibet 5100 Water Resources Holdings Ltd. (the "Company", together with its subsidiaries, the "Group") for the year ending December 31, 2011 (the "Profit Forecast") as set out in the prospectus issued by the Company dated June 20, 2011 (the "Prospectus").

The Profit Forecast, for which you as the directors of the Company are solely responsible, has been prepared based on the audited combined financial statements of the Group for the year ended December 31, 2010, the unaudited combined management accounts of the Group for the three months ended March 31, 2011 and a forecast of the consolidated results of the Group for the remaining nine months ending December 31, 2011.

We have discussed with you the bases and assumptions made by the directors of the Company as set out in part (A) of Appendix III to the Prospectus, upon which the Profit Forecast has been made. We have also considered the letter dated June 20, 2011 addressed to yourselves and ourselves from PricewaterhouseCoopers regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by PricewaterhouseCoopers, we are of the opinion that the Profit Forecast, for which you as directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of  
**J.P. Morgan Securities (Asia Pacific) Limited**  
**Lance Chen**  
*Managing Director*

For and on behalf of  
**CCB International Capital Limited**  
**Lai Voon Wai**  
*Managing Director, Corporate Finance*

For and on behalf of  
**ICBC International Capital Limited**  
**Dongjun Ma**  
*Managing Director,*  
*Head of Investment Banking*  
**Jim Lui**  
*Vice President*

For and on behalf of  
**CITIC Securities Corporate Finance**  
**(HK) Limited**  
**Janet Yee**  
*Executive Director*

*The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 31 March 2011 of the property interests of the Group.*



Jones Lang LaSalle Sallmanns Limited  
6/F Three Pacific Place  
1 Queen's Road East Hong Kong  
tel +852 2169 6000 fax +852 2169 6001  
Licence No: C-030171

June 20, 2011

The Board of Directors

**Tibet 5100 Water Resources Holdings Ltd.**

Room 3401, 34/F.  
China Resources Building  
26 Harbour Road  
Wanchai  
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties in which Tibet 5100 Water Resources Holdings Ltd. (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC") and Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 March 2011 (the "date of valuation").

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

Due to the nature of the buildings and structures of the property in Group I and the particular locations in which they are situated, there are unlikely to be relevant market comparables sales readily available. The property interests have therefore been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacing the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

We have attributed no commercial value to the property interests in Group II and III, which are leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC counsel — Jingtian & Gongcheng, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,  
for and on behalf of

**Jones Lang LaSalle Sallmanns Limited**

**Paul L. Brown**  
*B.Sc. FRICS FHKIS*  
*Chief Valuation Adviser*

**Sam B. Q. Zhu**  
*MRICS*  
*Director*

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*Notes:*

1. Paul L. Brown is a Chartered Surveyor who has 28 years' experience in the valuation of properties in the PRC and 31 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.
2. Sam B. Q. Zhu is a Chartered Surveyor who has 13 years' experience in the valuation of properties in the PRC.

## SUMMARY OF VALUES

## Group I — Property interest held and occupied by the Group in the PRC

No. Property	Capital value in existing state as at 31 March 2011 <i>RMB</i>	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2011 <i>RMB</i>
1. 3 parcels of Land, various buildings and structures located at Qumaduo Three Zu of Chongga Village Gongtang Township Dangxiong County Tibet Autonomous Region The PRC	20,856,000	100%	20,856,000
<b>Sub-total:</b>	<b><u>20,856,000</u></b>		<b><u>20,856,000</u></b>

## Group II — Property interests rented and occupied by the Group in the PRC

No. Property	Capital value in existing state as at 31 March 2011 <i>RMB</i>
2. A building No.189 Jinzhu West Road Lhasa City Tibet Autonomous Region The PRC	No commercial value
3. 2 units No.189 Jinzhu West Road Lhasa City Tibet Autonomous Region The PRC	No commercial value
4. A unit No.22 section 3 of Renmin South Road Wuhou District Chengdu City Sichuan Province The PRC	No commercial value

<b>No. Property</b>	<b>Capital value in existing state as at 31 March 2011 RMB</b>
5. A unit of Nan He Yuan No.103 Zhimin East Road Wuhou District Chengdu City Sichuan Province The PRC	No commercial value
6. Units 405 to 407 of Building 6 No.11 Zhongguancun South Street Haidian District Beijing The PRC	No commercial value
<b>Sub-total:</b>	<u><u>Nil</u></u>



## Group III — Property interest rented and occupied by the Group in Hong Kong

No. Property	Capital value in existing state as at 31 March 2011 <i>RMB</i>
7. Room 3401, 34/F China Resources Building 26 Harbour Road Wanchai Hong Kong	No commercial value
<b>Sub-total:</b>	<u><u>Nil</u></u>
	<b>Capital value in existing state as at 31 March 2011 <i>RMB</i></b>
<b>Grand-total:</b>	<u><u>20,856,000</u></u>

## VALUATION CERTIFICATE

## Group I — Property interest held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 <i>RMB</i>
1.	3 parcels of Land, various buildings and structures located at Qumaduo Three Zu of Chongga Village Gongtang Township Dangxiong County Tibet Autonomous Region The PRC	<p>The property comprises 2 parcels of land with a total site area of approximately 86,773.76 sq.m. and 19 buildings and various ancillary structures erected thereon which were completed in various stages between 2005 and 2010.</p> <p>The buildings have a total gross floor area of approximately 21,048.45 sq.m. which mainly include industrial buildings, storehouses, dormitories, a canteen, a guardhouse and ancillary buildings.</p> <p>The structures mainly include boundary fences, roads, a water-supply well and a parking lot.</p> <p>The property also comprises a parcel of vacant land with a site area of approximately 20,000 sq.m. for water source protection use.</p> <p>The land use rights of the property have been granted for terms of 50 years with expiry dates between 17 May 2055 and 27 July 2059 for industrial and water source protection uses.</p>	<p>The property is currently occupied by the Group for production purpose.</p>	<p>20,856,000</p> <p>100% interest attributable to the Group: RMB20,856,000</p>

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*Notes:*

1. Tibet Zhongji Jiahua Industry Co., Ltd. ("Tibet Zhongji") is an indirect wholly-owned subsidiary of the Company.
2. Tibet Glacier Mineral Water Co. Ltd. ("Glacier Water") is a direct wholly-owned subsidiary of Tibet Zhongji.
3. Pursuant to 3 State-owned Land Use Rights Certificates - Xi Zang Dang Xiong Xian Guo You (Tu Deng) Di Nos. 05-003, 08-003 and 06-050, the land use rights of 3 parcels of land with a total site area of approximately 106,773.76 sq.m. have been granted to Glacier Water for terms of 50 years with the expiry dates between 17 May 2055 and 27 July 2059 for industrial and water source protection uses.

4. Pursuant to a Building Ownership Certificate - Fang Quan Zheng Zi Di No.101034637, 10 buildings with a total gross floor area of approximately 5,487.42 sq.m. are owned by Glacier Water.
5. For the remaining 9 buildings with a total gross floor area of approximately 15,561.03 sq.m. of the property, we have not been provided with any title certificate.
6. In the valuation of this property, we have attributed no commercial value to the 9 buildings mentioned in note 5 without any proper title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB18,242,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.
7. We have been provided with a legal opinion regarding the property interest by the Company's PRC counsel, which contains, *inter alia*, the following:
  - a. The land use rights mentioned in note 3 are legally owned by Glacier Water and can be legally occupied, used, transferred, leased, mortgaged and otherwise disposed of by Glacier Water according to the PRC laws and the explanation as recorded on the land use right certificates;
  - b. The building ownership rights mentioned in note 4 are legally owned by Glacier Water. Glacier Water is the sole legal owner of the property. The building ownership rights can be legally occupied, used, transferred, leased, mortgaged and otherwise disposed of by Glacier Water according to the PRC laws and the explanation as recorded on the building ownership certificate;
  - c. Pursuant to a Confirmation Letter issued by Dangxiong County Housing and Urban-Rural Development Bureau, the buildings mentioned in note 5 are legally owned by Glacier Water, there will be no material legal impediment for Glacier Water to obtain relevant Building Ownership Certificates;
  - d. The buildings without any Building Ownership Certificate mentioned in note 5 can be legally occupied, leased, transferred, mortgaged and otherwise disposed of by Glacier Water after the registration procedure has been completed and relevant Building Ownership Certificates have been obtained; and
  - e. As confirmed by Glacier Water, the property is not subject to any seizure, mortgage or other third party interest.

## VALUATION CERTIFICATE

## Group II — Property interests rented and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 RMB
2.	A building No.189 Jinzhū West Road Lhasa City Tibet Autonomous Region The PRC	The property comprises a single-storey industrial building completed in about 2009.  The property has a leased area of approximately 3,400 sq.m.  The property is leased to Glacier Water from an independent third party for a term of 4 years expiring on 31 December 2014.	The property is currently occupied by the Group for production purpose.	No commercial value

## Notes:

1. Tibet Glacier Mineral Water Co., Ltd. ("Glacier Water") is an indirect wholly-owned subsidiary of the Company.
2. Pursuant to a Tenancy Agreement, the property is leased to Glacier Water from Tibet Tiandi Green Drinks Development Co., Ltd. ("the lessor") for a term of 4 years expiring on 31 December 2014, at an annual rent of RMB500,000 exclusive of management fees, water and electricity charges.
3. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC counsel, which contains, *inter alia*, the following:
  - a. Pursuant to a Confirmation Letter issued by Lhasa Economic & Technical Development Zone Planning and Construction Bureau, the lessor is the legal owner of the property and can legally lease the property;
  - b. Glacier Water is entitled to occupy and use the property in accordance with the Tenancy Agreement and will be protected by the PRC laws; and
  - c. The Tenancy Agreement has not been registered with relevant government authorities. The lack of registration may not affect the validity of such Tenancy Agreement.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 RMB
3.	2 units No.189 Jinzhu West Road Lhasa City Tibet Autonomous Region The PRC	<p>The property comprises 2 units on level 1 of a 2-storey office building completed in about 2009.</p> <p>The property has a leased area of approximately 200 sq.m.</p> <p>The property is leased to Glacier Marketing and Tibet Zhongji from an independent third party for a term of 4 years expiring on 31 December 2014.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

## Notes:

1. Tibet Glacier Mineral Water Marketing Co., Ltd. ("Glacier Marketing") is an indirect wholly-owned subsidiary of the Company.
2. Tibet Zhongji Jiahua Industry Co., Ltd. ("Tibet Zhongji") is an indirect wholly-owned subsidiary of the Company.
3. Pursuant to a Tenancy Agreement, a unit of the property with a leased area of approximately 100 sq.m. is leased to Glacier Marketing from Tibet Tiandi Green Drinks Development Co., Ltd. ("the lessor") for a term of 4 years expiring on 31 December 2014 at an annual rent of RMB20,000, exclusive of management fees, water and electricity charges.
4. Pursuant to a Tenancy Agreement, a unit of the property with a leased area of approximately 100 sq.m. is leased to Tibet Zhongji from the lessor for a term of 4 years expiring on 31 December 2014 at an annual rent of RMB20,000, exclusive of management fees, water and electricity charges.
5. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC counsel, which contains, *inter alia*, the following:
  - a. Pursuant to a Confirmation Letter issued by Lhasa Economic & Technical Development Zone Planning and Construction Bureau, the lessor is the legal owner of the property and can legally lease the property;
  - b. Glacier Marketing and Tibet Zhongji are entitled to occupy and use the property in accordance with the Tenancy Agreements and will be protected by the PRC laws; and
  - c. The Tenancy Agreements have not been registered with relevant government authorities. The lack of registration may not affect the validity of such Tenancy Agreements.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 RMB
4.	A unit No.22 section 3 of Renmin South Road Wuhou District Chengdu City Sichuan Province The PRC	The property comprises a unit on level 2 of a 5-storey office building completed in about 1999.  The property has a leased area of approximately 30 sq.m.  The property is leased to Glacier Water from an independent third party for a term of 5 years expiring on 10 May 2014.	The property is currently occupied by the Group for office purpose.	No commercial value

*Notes:*

1. Tibet Glacier Mineral Water Co., Ltd. ("Glacier Water") is an indirect wholly-owned subsidiary of the Company.
2. Pursuant to a Tenancy Agreement, the property is leased to Glacier Water Chengdu Office from Chengdu Office of Logistics Department of the General Armaments Department ("the lessor") for a term of 5 years expiring on 10 May 2014 at an annual rent of RMB33,600, exclusive of management fees, water and electricity charges.
3. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC counsel, which contains, *inter alia*, the following:
  - a. The lessor is not able to provide any title certificate of the property and has no right to lease the property to Glacier Water; and
  - b. As confirmed by the Company, the property is for non-operational use. There will be no influence to the business operation of the Group if the Tenancy Agreement is terminated.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 RMB
5.	A unit of Nan He Yuan No.103 Zhimin East Road Wuhou District Chengdu City Sichuan Province The PRC	<p>The property comprises a unit on level 1 of a 6-storey residential building completed in about 2000.</p> <p>The property has a leased area of approximately 30 sq.m.</p> <p>The property is leased to Glacier Water from an independent third party for a term of one year expiring on 5 September 2011.</p>	The property is currently occupied by the Group for storehouse purpose.	No commercial value

## Notes:

1. Tibet Glacier Mineral Water Co., Ltd. ("Glacier Water") is an indirect wholly-owned subsidiary of the Company.
2. Pursuant to a Tenancy Agreement, the property is leased to Glacier Water from Lan Juan ("the lessor") for a term of one year expiring on 5 September 2011 at an annual rent of RMB7,000 exclusive of management fees, water and electricity charges.
3. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC counsel, which contains, *inter alia*, the following:
  - a. The lessor is not able to provide any title certificate of the property and has no right to lease the property to Glacier Water; and
  - b. As confirmed by the Company, the property is for non-operational use. There will be no influence to the business operation of the Group if the Tenancy Agreement is terminated.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 RMB
6.	Units 405 to 407 of Building No. 6 No.11 Zhongguancun South Street Haidian District Beijing The PRC	<p>The property comprises 3 units on level 4 of a 5-storey office building completed in about 2000.</p> <p>The property has a total leased area of approximately 163.3 sq.m.</p> <p>The property is leased to 5100 Club from an independent third party for a term of one year expiring on 8 February 2012.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

## Notes:

1. Beijing 5100 Enterprise Planning Club Co., Ltd. ("5100 Club") is an indirect wholly-owned subsidiary of the Company.
2. Pursuant to a Tenancy Agreement, the property is leased to 5100 Club from Beijing Baihua Group Co., Ltd. ("the lessor") for a term of one year expiring on 8 February 2012 at an annual rent of RMB196,700 inclusive of management fees, water and gas charges.
3. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC counsel, which contains, *inter alia*, the following:
  - a. The lessor is the legal owner of the property and can legally lease the property;
  - b. 5100 Club is entitled to occupy and use the property in accordance with the Tenancy Agreement and will be protected by the PRC laws; and
  - c. The Tenancy Agreement has not been registered with relevant government authorities. The lack of registration may not affect the validity of such Tenancy Agreement.



## VALUATION CERTIFICATE

## Group III — Property interest rented and occupied by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 <i>RMB</i>
7.	Room 3401, 34/F China Resources Building 26 Harbour Road Wanchai Hong Kong	<p>The property comprises an office unit on level 34 of a 48-storey commercial building with 3 basement floors completed in about 1982.</p> <p>The unit has a gross floor area of approximately 331.29 sq.m. (3,566 sq.ft.)</p> <p>The property is leased to Tibet 5100 for a term of 3 years commencing from 1 February 2011 and expiring on 31 January 2014.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

*Notes:*

1. Tibet 5100 Water Resources Limited (“Tibet 5100”) is a direct wholly-owned subsidiary of the Company.
2. The registered owner of this property is Eastern World Development Limited vide UB6832707 dated 10 October 1996.
3. Pursuant to a Tenancy Agreement date 3 November 2010, the property is leased to Tibet 5100 for a term of 3 years commencing from 1 February 2011 and expiring on 31 January 2014 at monthly rent of HK\$135,508 with a rent free period of 2 months from 1 February 2011 to 31 March 2011, exclusive of government rents, rates, and management fee.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 November, 2010 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

## **1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

## **2. ARTICLES OF ASSOCIATION**

The Articles were adopted on June 14, 2011. The following is a summary of certain provisions of the Articles:

### **(a) Directors**

#### *(i) Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or

other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing

and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vii) Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

**(b) Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(c) Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.



**(d) Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**(e) Special resolution-majority required**

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

**(f) Voting rights**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person

or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

**(g) Requirements for annual general meetings**

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

**(h) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

**(i) Notices of meetings and business to be conducted thereat**

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

**(j) Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

**(k) Power for the Company to purchase its own shares**

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

**(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

**(m) Dividends and other methods of distribution**

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such

shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(n) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(o) Call on shares and forfeiture of shares**

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(p) Inspection of register of members**

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

**(q) Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.



**(r) Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

**(s) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(t) Untraceable members**

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

**(u) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

**(a) Operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

**(c) Financial assistance to purchase shares of a company or its holding company**

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are

held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

**(f) Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an

alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 23 November, 2010.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

**(n) Winding up**

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

**(o) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

**(p) Compulsory acquisition**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(q) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.



**FURTHER INFORMATION ABOUT OUR GROUP****1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on November 8, 2010. Our Company was registered as a non-Hong Kong Company under Part XI of the Companies Ordinance on February 16, 2011 and our principal place of business in Hong Kong is at Room 3401, 34/F, China Resources Building, No.26 Harbour Road, Wanchai, Hong Kong. Chow Wai Kit, our company secretary, has been appointed as the authorized agent of our Company for the purpose of Part XI of the Companies Ordinance for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the relevant law of the Cayman Islands and its constitution which comprises a memorandum and articles of association. A summary of certain relevant provisions of its constitution and certain relevant aspects of the Cayman Companies Law is set out in Appendix V to this prospectus.

**2. Changes in share capital of our Company**

- (a) The authorized share capital of our Company on the date of its incorporation was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On November 8, 2010, one fully paid Share was allotted and issued to Codan Trust Company (Cayman) Limited, which was transferred to Water Resources on the same date.
- (b) On June 13, 2011, pursuant to a share swap agreement entered into between our Company and the then shareholders of Tibet 5100, our Company acquired all the issued shares of Tibet 5100 from its existing shareholders, in consideration of which our Company allotted and issued 1,160 Shares, 150 Shares, 330 Shares, 250 Shares, 800 Shares, 500 Shares, 20 Shares, 370 Shares and 6,419 Shares, all credited as fully paid to Raventon, Highland Broadview, Victory Ride, Heartland Capital, Bai Jun, Maotai, Big Linkage, Fantastic World and Water Resources respectively.
- (c) On June 14, 2011, the authorized share capital of our Company was increased from HK\$380,000 to HK\$1,000,000,000 by the creation of additional 99,962,000,000 Shares of HK\$0.01 each.

Immediately following completion of the Capitalization Issue and the Global Offering and assuming the Over-allotment Option is not exercised, the authorized share capital of our Company will be HK\$1,000,000,000 divided into 100,000,000,000 Shares of which 2,500,000,000 Shares will be allotted and issued, fully paid or credited as fully paid, and 97,500,000,000 Shares will remain unissued. On the basis that the Over-allotment Option is exercised in full, 2,568,893,000 Shares will be allotted and issued as fully paid or credited as fully paid.

Other than the Capitalization Issue and Over-allotment Option, our Directors do not have any present intention to issue any part of the authorized but unissued share capital of our Company and no issue of Share which would effectively alter the control of our Company will be made without the prior approval of members in a general meeting.

Save for the aforesaid and those mentioned in the sections headed “Written resolutions of the Shareholders of our Company passed on June 14, 2011” and “Group Reorganization and History” below, there has been no alteration in the share capital of our Company since the date of its incorporation.

**3. Written resolutions of the Shareholders of our Company passed on June 14, 2011**

Pursuant to the written resolutions passed by the Shareholders on June 14, 2011:

- (a) conditional on the conditions as stated in the sub-section headed “Conditions to the Hong Kong Public Offer” in the section headed “Structure and Conditions of the Global Offering” in the prospectus of the Company to be issued in connection with the proposed listing of the Shares on the Main Board, being fulfilled (or, if applicable, waived):-
  - (i) the Global Offering and the Over-allotment Option on the terms and subject to the conditions set out in this prospectus and the Application Forms were approved, and the Directors were authorized to allot and issue such number of Offer Shares pursuant to the Global Offering and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option;
  - (ii) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares under the Global Offering, the Directors were authorized to capitalize an amount of HK\$20,407,000 from the amount standing to the credit of the share premium account of our Company and that the said sum be applied in paying up in full at par 2,040,700,000 Shares, such Shares to be allotted and issued, credited as fully paid at par to our Shareholders appearing on the register of members of our Company on June 14, 2011 or as each of them may direct in writing, pro rata (or as nearly as possible without involving fractions) to their respective shareholdings in our Company;
  - (iii) a general unconditional mandate was given to the Directors to exercise all the powers of our Company to allot, issue and deal with (otherwise than pursuant to, or in consequence of, the Global Offering, the Capitalization Issue, or pursuant to the exercise of the Over-allotment Option, or by way of rights issues, scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by the Shareholders in general meetings) on behalf of the Company Shares with an aggregate nominal value not exceeding the sum of:-
    - 1. 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option); and

2. the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the mandate granted to our Directors as referred to in sub-paragraph (iv) below;
  - (iv) a general unconditional mandate was given to the Directors to exercise all the powers of our Company to repurchase, on the Hong Kong Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Hong Kong Stock Exchange for this purpose in accordance with all applicable laws and requirements of the Listing Rules (or of such other stock exchange), Shares with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option);
  - (v) each of the general mandates referred to in paragraphs (iii) and (iv) above will remain in effect until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles of Association to be held or when it is revoked, varied or renewed by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest; and
- (b) our Company approved and adopted the Articles of Association.

#### 4. **Group Reorganization and History**

##### (a) ***Group Reorganization***

In preparation for Listing, our Group has undergone corporate reorganization and the steps are as follows:

##### (1) **Acquisition of Tibet 5100**

On June 13, 2011, according to the share swap agreement between our Company and the then shareholders of Tibet 5100, our Company acquired all the issued shares of Tibet 5100 from its existing shareholders.

The consideration of the acquisition of Tibet 5100 was our Company allotting and issuing 1,160 Shares, 150 Shares, 330 Shares, 250 Shares, 800 Shares, 500 Shares, 20 Shares, 370 Shares and 6,419 Shares to Raventon, Highland Broadview, Victory Ride, Heartland Capital, Bai Jun, Maotai, Big Linkage, Fantastic World and Water Resources respectively as paid up Shares.

**(2) Capitalization Issue**

Conditional on our Company's share premium account being credited as a result of the issue of the Offer Shares under the Global Offering, the Directors are authorized to capitalize a total sum of HK\$20,407,000 from the share premium account. The capitalization will be by way of applying the above stated sum to pay up in full a total number of 2,040,700,000 Shares to be issued and allotted at par value to Raventon, Highland Broadview, Victory Ride, Heartland Capital, Bai Jun, Maotai, Big Linkage, Fantastic World and Water Resources pro rata to their existing shareholding in our Company.

**(b) Group history***Our Company*

On November 8, 2010, our Company was incorporated in the Cayman Islands as an exempted limited company. The initial authorized share capital of our Company was HK\$380,000, divided into 38,000,000 shares of HK\$0.01 each. At the time of incorporation, Codan Trust Company (Cayman) Limited was holding 1 fully paid Share of HK\$0.01 of our Company, which was transferred to Water Resources on the same date.

On June 13, 2011, our Company issued and allotted 1,160 Shares, 150 Shares, 330 Shares, 250 Shares, 800 Shares, 500 Shares, 20 Shares, 370 Shares and 6,419 Shares, all credited as fully paid, to Raventon, Highland Broadview, Victory Ride, Heartland Capital, Bai Jun, Maotai, Big Linkage, Fantastic World and Water Resources respectively as consideration for the acquisition of Tibet 5100.

*Our Subsidiaries*

Our Company's subsidiaries include the following investment holding companies and operating companies.

## INVESTMENT HOLDING COMPANIES

Tibet 5100

On January 19, 2006, Tibet 5100 was incorporated in BVI as an investment holding company and was authorized to issue a maximum of 50,000 no par value shares. It was named Water Enterprises Ltd. (香港水資源有限公司) upon its incorporation and renamed to its current name, Tibet 5100 Water Resources Ltd. (西藏5100水資源有限公司), on May 11, 2010.

On April 24, 2006, Tibet 5100 allotted and issued 1 share to Hongkong Zhongji at the consideration of US\$1.

As of April 24, 2006, Mr. Wang owned 90% of the effective interests and Ms. Li owned the remaining 10% of the effective interests, of and in Hongkong Zhongji.

On January 25, 2008, Water Resources acquired Tibet 5100 from Hongkong Zhongji by acquiring the 1 share being the then entire issued share capital in Tibet 5100 then held by Hongkong Zhongji at the nominal consideration of US\$1. As of January 25, 2008, Mr. Wang owned 90% of the effective interests and Mr. Yu and Ms. Li each owned 5% of the remaining 10% of the effective interests, of and in Water Resources.

On January 28, 2008, Tibet 5100 issued and allotted 99 new shares of US\$1 each to Water Resources at par value so that Water Resources would hold 100 shares of and in Tibet 5100.

On April 30, 2009, Water Resources transferred 25 shares, representing 25% of the issued share capital of Tibet 5100 to Wilmar, an Independent Third Party, at a consideration of RMB175,000,000 of which the payment of RMB50,000,000 was deferred. The consideration was arrived at after arm's length negotiations between Water Resources and Wilmar.

On April 30, 2010, after amicable negotiations and in exercise of its buy back option under the agreement dated April 30, 2009, Water Resources acquired back from Wilmar the said 25 shares of Tibet 5100 at a consideration of US\$19,428,533.76 after taking into account the unpaid deferred sum of RMB50,000,000.

On May 26, 2010, Water Resources transferred 25 shares of and in Tibet 5100 to Green Highland at a consideration of US\$19,428,533.76. In view that the ultimate beneficial owners of Water Resources and Green Highland are identical, no valuation was made to determine the consideration of US\$19,428,533.76. The parties considered the consideration reasonable.

On November 3, 2010, Tibet 5100 further allotted and issued 225 and 675 shares in the share capital of Tibet 5100 to each of Green Highland and Water Resources respectively, at the consideration of US\$1.00 per share in cash.

The table below sets out the aforesaid shareholding changes in Tibet 5100:

<u>Date of Shareholding Change</u>	<u>Hongkong Zhongji</u>	<u>Water Resources</u>	<u>Wilmar</u>	<u>Green Highland</u>
April 24, 2006 . . . . .	100%			
January 25, 2008 . . . . .		100%		
April 30, 2009 . . . . .		75%	25%	
April 30, 2010 . . . . .		100%		
May 26, 2010 . . . . .		75%		25%

Details of the changes of shareholding in Tibet 5100 after November 3, 2010 are set out in the paragraphs entitled "Pre-IPO Investors" under the section headed "History and Corporate Structure" in this prospectus.

As of the Latest Practicable Date, Tibet 5100 was wholly owned by our Company.

Sino Ocean and Vicwood

Sino Ocean and Vicwood were incorporated in BVI on July 28 and September 3, 2003 respectively as investment holding companies, each with an authorized capital of US\$50,000 divided into 50,000 shares of US\$1 each. Soon after their incorporations, Vicwood and Sino Ocean each allotted and issued 1 share to Jintong at par value on September 29 and October 6, 2003 respectively.

At the time of Jintong's acquiring Sino Ocean's 1 share and Vicwood's 1 share (being the entire issued share capitals of Sino Ocean and Vicwood), 95% of Jintong's equity interest was owned by Mr. Wang through Fastgrow and Ms. Li and Mr. Liu Min (whose investment capital was paid by Mr. Wang) were the registered owners of the remaining 1% and 4% of Jintong's equity interest respectively.

On June 10, 2005, Jintong transferred each of the 1 share it held in Sino Ocean and Vicwood at par value to Hongkong Zhongji. In view that the ultimate beneficial owners of Jintong and Hongkong Zhongji were substantially the same with Mr. Wang and Ms. Li effectively holding the beneficial interests of more than 95% of the issued share capitals of Jintong and Hongkong Zhongji respectively, it was considered by the parties that the transfer of the 1 share each in Sino Ocean and Vicwood by Jintong to Hongkong Zhongji at par value would be reasonable.

On April 28, 2008, Hongkong Zhongji transferred the 1 share it held in each of Sino Ocean and Vicwood at par value to Tibet 5100. In view that the ultimate beneficial owners of Hongkong Zhongji and Tibet 5100 were substantially the same with Mr. Wang, Mr. Yu and Ms. Li effectively holding the entire beneficial interests of the issued share capital of Hongkong Zhongji and Tibet 5100 respectively, it was considered by the parties that the transfer of the 1 share each in Sino Ocean and Vicwood by Hongkong Zhongji to Tibet 5100 at par value would be reasonable.

The two tables below set out the aforesaid shareholding changes in Sino Ocean and Vicwood respectively:

## Shareholding changes in Sino Ocean:

Date of Shareholding Change	Jintong	Hongkong Zhongji	Tibet 5100
October 6, 2003 .....	100%		
June 10, 2005 .....		100%	
April 28, 2008 .....			100%

## Shareholding changes in Vicwood:

Date of Shareholding Change	Jintong	Hongkong Zhongji	Tibet 5100
September 29, 2003 .....	100%		
June 10, 2005 .....		100%	
April 28, 2008 .....			100%

As of the Latest Practicable Date, Sino Ocean and Vicwood were wholly owned by Tibet 5100.

#### OPERATING COMPANIES

##### Tibet Zhongji

On January 1, 2004, Tibet Zhongji was incorporated in Tibet, PRC as a Chinese-Foreign Cooperative Joint Venture, pursuant to “A Chinese-Foreign Cooperative Joint Venture Contract on the Establishment of Tibet Zhongji Jiahua Industry Co., Ltd” (《關於組建西藏中稷佳華實業發展有限公司的中外合作經營企業合同》) (the “Cooperative Contract”) dated November 8, 2003 entered into between Sino Ocean, Vicwood and Zhongji Holdings, which was then amended by the parties by an amendment memorandum dated December 23, 2010 (the “Amendment Memorandum”). For further details of the Cooperative Contract and the Amendment Memorandum, please refer to the paragraph headed “Corporate History” in the “History and Corporate Structure” section of this prospectus. The registered capital and the total investment amount were both HK\$10,000,000. Sino Ocean and Vicwood each contributed HK\$5,000,000 and each owned 50% of Tibet Zhongji’s equity interest. Tibet Zhongji’s authorised business scope is to engage in manufacturing and selling mineral water and beverage, energy transportation, network communication, import-export trade, real estate development and investment.

Pursuant to the approval granted by Department of Commence of Tibet Autonomous Region (西藏自治區商務廳) on September 29, 2004, Tibet Zhongji entered into a financial arrangement with Sichuan Hengsheng on September 30, 2004 whereby Sichuan Hengsheng contributed US\$12,793,600 to Tibet Zhongji’s registered capital which was increased to US\$14,000,000. Tibet Zhongji’s total investment amount was increased to US\$42,000,000. After the capital increase, Sichuan Hengsheng held 91.38% of the equity interest in Tibet Zhongji while Sino Ocean and Vicwood each held 4.31%.

On June 15, 2005, Sino Ocean and Vicwood each acquired 45.69% of the equity interests held by Sichuan Hengsheng in Tibet Zhongji, at a consideration of US\$6,393,800 each, which was calculated with reference to the then registered capital of US\$14,000,000 of Tibet Zhongji. After the acquisition, Sino Ocean and Vicwood each held 50% of the equity interest in Tibet Zhongji respectively. During the period when Sichuan Hengsheng was a shareholder of Tibet Zhongji, there had been no change to the management and control of Tibet Zhongji which remained the same as before Sichuan Hengsheng’s joining. None of the directors or the management of Tibet Zhongji was appointed by Sichuan Hengsheng or acted on the directions of Sichuan Hengsheng. Sichuan Hengsheng is an Independent Third Party.

On August 5, 2008, Tibet Zhongji increased its registered capital from US\$14,000,000 to US\$16,000,000 with Sino Ocean and Vicwood each contributing US\$1,000,000. It also increased its total investment amount from US\$42,000,000 to US\$45,500,000.

The table below sets out the aforesaid shareholding changes:

Date of Shareholding Change	Sino Ocean	Vicwood	Sichuan Hengsheng
January 1, 2004 . . . . .	50%	50%	
September 29, 2004 . . . . .	4.31%	4.31%	91.38%
June 15, 2005 . . . . .	50%	50%	

As of the Latest Practicable Date, Sino Ocean and Vicwood each held 50% equity interest in Tibet Zhongji.

#### Glacier Water

On October 31, 2005, Glacier Water was incorporated in Tibet, PRC as a limited liability company with a registered capital of RMB10,000,000. It was named “Tibet Kanglaiduizi Mineral Water Co., Ltd.” (西藏康拉堆孜礦泉水有限公司) at the time of incorporation. It changed its name to the current one on 29 November 2005. Tibet Zhongji contributed RMB9,700,000 to Glacier Water’s registered capital. The remaining RMB300,000 was contributed by Chengdu Pushun. Glacier Water’s authorized business scope includes beverages (bottled (barreled) drinking water (natural mineral water, drinking water)); highland barley beverages; saffron beverages; and import & export business. It is the manufacturer of our product.

On November 29, 2005, the registered capital of Glacier Water was increased from RMB10,000,000 to RMB70,000,000. The newly added registered capital was contributed by Tibet Zhongji through a mineral water project with an annual output of 60,000 tonnes and with an assessed value of RMB60,170,700 as at November 10, 2005 (according to the asset assessment report made by Sichuan Shuhua Chartered Accountant Affair) of which RMB60,000,000 was credited as payment for the increase of registered capital.

On December 25, 2005, Tibet Zhongji transferred 5% of its equity interest in Glacier Water to Able Long at a consideration of RMB3,500,000, which was calculated with reference to the then registered capital of Glacier Water.

On January 29, 2007, Glacier Water had its registered capital increased to RMB118,000,000. All the newly added registered capital was contributed by Tibet Zhongji.

On December 8, 2008 Tibet Zhongji acquired from Chengdu Pushun all of its equity interest in Glacier Water at a consideration of RMB300,000, being the amount Chengdu Pushun had contributed to the registered capital. On January 4, 2009, Tibet Zhongji acquired from Able Long all of its 2.97% equity interest in Glacier Water at a consideration of RMB3,500,000, being the amount Able Long had paid for the acquisition of such equity interest.



The table below sets out the aforesaid shareholding changes in Glacier Water:

Date of Shareholding Change	Tibet Zhongji	Chengdu Pushun	Able Long
October 31, 2005 . . . . .	97%	3%	
November 29, 2005. . . . .	99.57%	0.43%	
December 25, 2005. . . . .	94.57%	0.43%	5%
January 29, 2007 . . . . .	96.78%	0.25%	2.97%
December 8, 2008. . . . .	97.03%		2.97%
January 4, 2009 . . . . .	100%		

As of the Latest Practicable Date, Glacier Water was wholly owned by Tibet Zhongji.

#### 5100 Club

On July 13, 2007, 5100 Club was incorporated in Beijing, PRC as a limited liability company. The main function of 5100 Club is to run as an operational and management platform of the Group for our product.

As of the Latest Practicable Date, 5100 Club was wholly owned by Glacier Water.

#### Glacier Marketing

On April 21, 2010, Glacier Marketing was incorporated in Tibet, PRC as a limited liability company to engage in the sales of mineral water, beer and beverage. It has a registered capital of RMB3,000,000, which was entirely contributed by Glacier Water. Glacier Marketing is responsible mainly for the marketing of our product.

As of the Latest Practicable Date, Glacier Marketing was wholly owned by Glacier Water.

### **5. Changes in share capital of the subsidiaries of our Company**

The subsidiaries of our Company are listed in the accountant's report set out in Appendix I to this prospectus.

Save for the alterations described in paragraph 4 above, there is no alteration in the share capital of our subsidiaries which took place within the two years immediately preceding the date of this prospectus.

**6. Further information about our Group's operating subsidiaries in the PRC**

We have four operating subsidiaries in the PRC. A summary of the corporate information of these subsidiaries as of the Latest Practicable Date are set out as follows:

**(a) Tibet Zhongji**

- (i) Corporate name : Tibet Zhongji Jiahua Industry Co., Ltd. (西藏中稷佳華實業發展有限公司)
- (ii) Date of incorporation : January 1, 2004
- (iii) Registered office : 西藏自治區拉薩市金珠西路189號(開發區內)
- (iv) Nature : Chinese-Foreign Cooperative Joint Venture (中外合作經營企業); limited liability company
- (v) Parties to the Joint Venture : Sino Ocean  
Vicwood  
Zhongji Holdings
- (vi) Total investment capital : US\$45,500,000.00
- (vii) Registered capital : US\$16,000,000.00
- (viii) Attributable interest to us : 100%
- (ix) Term of operation : January 1, 2004 to December 31, 2034
- (x) Scope of business : manufacturing and selling mineral water and beverage; energy transportation; network communication; import and export business; real estate development and investment
- (xi) Directors : Mr. Yu  
Ms. Li  
Mr. Meng Quan
- (xii) Legal representative : Mr. Yu

**(b) Glacier Water**

- (i) Corporate name : Tibet Glacier Mineral Water Co., Ltd. (西藏冰川礦泉水有限公司)
- (ii) Date of incorporation : October 31, 2005
- (iii) Registered office : 西藏自治區拉薩市當雄縣公堂鄉沖嘎村
- (iv) Nature : Limited liability company
- (v) Registered owner : Tibet Zhongji
- (vi) Total investment capital : N/A
- (vii) Registered capital : RMB118,000,000.00
- (viii) Attributable interest to us : 100%
- (ix) Term of operation : October 31, 2005 to October 31, 2016
- (x) Scope of business : beverages (bottled (barreled) drinking water (natural mineral water, drinking water)); highland barley beverages; saffron beverages; import and export business

(xi) Directors : Mr. Yu  
Mr. Fu Lin  
Ms. Li Hang

(xii) Legal representative : Mr. Yu

(c) **5100 Club**

(i) Corporate name : Beijing 5100 Enterprise Planning Club Co., Ltd.  
(北京五一零零企業策劃俱樂部有限公司)

(ii) Date of incorporation : July 13, 2007

(iii) Registered office : 北京市海澱區中關村南大街11號6號樓(商務大廈)202室

(iv) Nature : Limited liability company

(v) Registered owner : Glacier Water

(vi) Total investment capital : N/A

(vii) Registered capital : RMB1,000,000.00

(viii) Attributable interest to us : 100%

(ix) Term of operation : July 13, 2007 to July 12, 2027

(x) Scope of business : corporate image planning; market research; marketing planning; sales planning; conferencing service

(xi) Directors : Ms. Li

(xii) Legal representative : Ms. Li

(d) **Glacier Marketing**

(i) Corporate name : Tibet Glacier Mineral Water Marketing Co., Ltd.  
(西藏冰川礦泉水營銷有限公司)

(ii) Date of incorporation : April 21, 2010

(iii) Registered office : 西藏自治區拉薩市金珠西路189號天地綠色飲品發展有限公司院內

(iv) Nature : Limited liability company

(v) Registered owner : Glacier Water

(vi) Total investment capital : N/A

(vii) Registered capital : RMB3,000,000.00

(viii) Attributable interest to us : 100%

(ix) Term of operation : April 21, 2010 to April 20, 2020

(x) Scope of business : general operation; sale of mineral water, beer and beverages

(xi) Directors : Mr. Yu  
Mr. Fu Lin  
Ms. Wu Minghui

(xii) Legal representative : Mr. Yu

## 7. Repurchase by our Company of its own securities

This section includes information required by the Hong Kong Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

### (a) *Relevant legal and regulatory requirements*

The Listing Rules permit companies whose primary listings are on the Hong Kong Stock Exchange to repurchase their own shares on the Hong Kong Stock Exchange subject to certain restrictions, amongst which it is provided that:-

#### (i) *Shareholders' approval*

All proposed repurchases of securities (which must be fully-paid up in the case of shares) on the Hong Kong Stock Exchange by a company with its primary listing on the Hong Kong Stock Exchange must be approved in advance by an ordinary resolution of its shareholders, either by way of a general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions of the Shareholders passed on June 14, 2011, conditional upon the conditions stated in the sub-section headed "Conditions to the Hong Kong Public Offer" in the section headed "Structure and Conditions of the Global Offering" in this prospectus being fulfilled (or if applicable, waived), a general mandate (the "**Repurchase Mandate**") was given to the Directors to exercise all the powers of our Company to repurchase, on the Hong Kong Stock Exchange on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Hong Kong Stock Exchange for this purpose in accordance with all applicable laws and requirements of the Listing Rules (or of such other stock exchange), Shares with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option). The Repurchase Mandate will remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles of Association to be held or when it is revoked, varied or renewed by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

#### (ii) *Source of funds*

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles of Association of our Company and the applicable laws of Cayman Islands. A listed company may not repurchase its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange from time to time.

(b) *Reasons for repurchases*

The Directors believe that it is in the best interests of our Company and the Shareholders for the Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when and to the extent that the Directors believe that such repurchases will benefit our Company and our Shareholders. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or the earnings per Share.

(c) *Funding of repurchases*

In repurchasing the Shares, our Company may only apply funds of our Company legally available for such purpose in accordance with the Memorandum of Association and Articles of Association, the Listing Rules and the applicable laws and regulations of Cayman Islands.

Any payment for repurchases by our Company may be made out of profits of our Company, the share premium account of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorized by the Articles of Association and subject to the Cayman Companies Law out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased must be provided for out of either or both of the profits or from the share premium account of our Company, or, if authorized by the Articles of Association and subject to the Cayman Companies Law, out of capital.

On the basis of the current financial position of the Company as disclosed in the prospectus, and taking into account the current working capital position of the Company, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse impact on the working capital and/or the gearing position of the Company as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital position of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) **Number of Shares which may be repurchased**

On the basis of 2,500,000,000 Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account the exercise of the Over-allotment Option), the Directors would be authorised under the Repurchase Mandate to repurchase up to 250,000,000 Shares during the period in which the Repurchase Mandate remains in force.

(e) **General**

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates, have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to our Company or its subsidiaries.

The Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association of our Company and the applicable laws and regulations of Cayman Islands.

If as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a shareholder, or a group of shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases of Shares pursuant to the Repurchase Mandate.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could only be implemented with the approval of the Hong Kong Stock Exchange to waive the Listing Rules requirements regarding public shareholding. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent that in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

No connected person (as defined in the Listing Rules) of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

## **FURTHER INFORMATION ABOUT OUR COMPANY'S BUSINESS**

### **1. Summary of the Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or the subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) a sale and purchase agreement dated November 3, 2010 entered into between Raventon, Green Highland and Tibet 5100 in relation to the purchase of 116 shares in Tibet 5100 by Raventon from Green Highland for a consideration of HK\$348,000,000, further details of which are set out in the sub-section headed "Pre-IPO Investors" under the section "History and Corporate Structure" of this prospectus;
- (b) a supplemental agreement dated November 29, 2010 entered into between Raventon, Green Highland and Tibet 5100 in relation to the amendments to certain terms of the sale and purchase agreement dated November 3, 2010 entered into by the same parties regarding the sale and purchase of 116 shares in Tibet 5100;
- (c) a sale and purchase agreement dated November 4, 2010 entered into between Highland Broadview, Green Highland and Tibet 5100 in relation to the purchase of 15 shares in Tibet 5100 by Highland Broadview from Green Highland for a consideration of HK\$45,000,000, further details of which are set out in the sub-section headed "Pre-IPO Investors" under the section "History and Corporate Structure" of this prospectus;

- (d) a supplemental agreement dated November 29, 2010 entered into between Highland Broadview, Green Highland and Tibet 5100 in relation to the amendments to certain terms of the sale and purchase agreement dated November 4, 2010 entered into by the same parties regarding the sale and purchase of 15 shares in Tibet 5100;
- (e) a sale and purchase agreement dated November 19, 2010 entered into between Victory Ride, Water Resources and Tibet 5100 in relation to the purchase of 33 shares in Tibet 5100 by Victory Ride from Water Resources for a consideration of HK\$99,000,000, further details of which are set out in the sub-section headed “Pre-IPO Investors” under the section “History and Corporate Structure” of this prospectus;
- (f) a supplemental agreement dated May 3, 2011 entered into between Victory Ride, Water Resources and Tibet 5100 to amend and supplement the sale and purchase agreement dated November 19, 2010 entered into by the same parties regarding the sale and purchase of 33 shares in Tibet 5100, pursuant to which the lock-up period was agreed to be six months from the date of Listing;
- (g) a sale and purchase agreement dated November 19, 2010 entered into between Heartland Capital, Water Resources and Tibet 5100 in relation to the purchase of 25 shares in Tibet 5100 by Heartland Capital from Water Resources for a consideration of HK\$75,000,000, further details of which are set out in the sub-section headed “Pre-IPO Investors” under the section “History and Corporate Structure” of this prospectus;
- (h) a sale and purchase agreement dated November 25, 2010 entered into between Bai Jun, Green Highland and Tibet 5100 in relation to the purchase of 80 shares in Tibet 5100 by Bai Jun from Green Highland for a consideration of HK\$240,000,000, further details of which are set out in the sub-section headed “Pre-IPO Investors” under the section “History and Corporate Structure” of this prospectus;
- (i) a supplemental agreement dated April 13, 2011 entered into between Bai Jun, Green Highland and Tibet 5100 to amend and supplement the sale and purchase agreement dated November 25, 2010 entered into by the same parties regarding the sale and purchase of 80 shares in Tibet 5100, pursuant to which the lock-up period was agreed to be six months from the date of Listing;
- (j) a sale and purchase agreement dated November 30, 2010 entered into between Maotai, Water Resources and Tibet 5100 in relation to the purchase of 50 shares in Tibet 5100 by Maotai from Water Resources for a consideration of HK\$150,000,000, further details of which are set out in the sub-section headed “Pre-IPO Investors” under the section “History and Corporate Structure” of this prospectus;

- (k) a supplemental agreement dated May 3, 2011 entered into between Maotai, Water Resources and Tibet 5100 to amend and supplement the sale and purchase agreement dated November 30, 2010 entered into by the same parties regarding the sale and purchase of 50 shares in Tibet 5100, pursuant to which the lock-up period was agreed to be six months from the date of Listing;
- (l) a sale and purchase agreement dated December 3, 2010 entered into between Big Linkage, Green Highland and Tibet 5100 in relation to the purchase of 2 shares in Tibet 5100 by Big Linkage from Green Highland for a consideration of HK\$6,000,000, further details of which are set out in the sub-section headed “Pre-IPO Investors” under the section “History and Corporate Structure” of this prospectus;
- (m) a sale and purchase agreement established and dated November 30, 2010 and executed on December 16, 2010, between Fantastic World, Green Highland and Tibet 5100 in relation to the purchase of 37 shares in Tibet 5100 by Fantastic World for a consideration of HK\$111,000,000, further details of which are set out in the sub-section headed “Pre-IPO Investors” under the section “History and Corporate Structure” of this prospectus;
- (n) the Hong Kong Trademarks Assignment dated December 22, 2010 entered into between Hongkong Zhongji as assignor, Glacier Water as the assignee and 5100 Bioform as the confirmor, pursuant to which Hongkong Zhongji, at the request of Glacier Water, assigned the Hong Kong Trademarks to Glacier Water at no monetary consideration, further details and background of this assignment are set out in the section headed “Connected Transaction” in this prospectus;
- (o) the Bioform Trademark License Agreement dated December 22, 2010 entered into between Glacier Water and 5100 Bioform, pursuant to which Glacier Water agreed to grant to 5100 Bioform a non-exclusive license to use the word “5100” as part of the company name of 5100 Bioform and a non-exclusive, non-transferable, non-assignable license to use the Hong Kong Trademarks bearing registration number 300682227, 300682245 and 301778527 respectively and the PRC Trademarks bearing registration number 6161050 (collectively the “Designated Trademarks”) for a term of 3 years from January 1, 2011 for a consideration of HK\$100,000 per annum, payable by 5100 Bioform to Glacier Water;
- (p) the Bioform Sales Framework Agreement dated January 3, 2011 entered into between Glacier Water and 5100 Bioform for the sale and purchase of our product, the details of which is more particularly set out under the section headed “Connected Transaction” in this prospectus;



- (q) share swap agreement relating to Tibet 5100 dated June 13, 2011 entered into between the Company, and shareholders of Tibet 5100 prior to Reorganization, namely Raventon, Highland Broadview, Victory Ride, Heartland Capital, Bai Jun, Maotai, Big Linkage, Fantastic World and Water Resources, and Mr. Wang and Mr. Yu as warrantors, pursuant to which our Company acquired all the issued shares of Tibet 5100 in consideration of our Company allotting and issuing an aggregate of 9,999 Shares, all credited as fully paid, to the then existing shareholders of Tibet 5100;
- (r) an amendment memorandum dated December 23, 2010 entered into between Sino Ocean, Vicwood and Tibet Zhongji to amend and supplement “A Chinese-Foreign Cooperative Joint Venture Contract on the Establishment of Tibet Zhongji Jiahua Industry Co, Ltd.” (《關於組建西藏中稷佳華實業發展有限公司的中外合作經營企業合同》), the details of which is more particularly set out under paragraph headed “Corporate History” in the “History and Corporate Structure” section of this prospectus;
- (s) a supplemental name-use license agreement (《許可使用合同補充合同》) dated January 10, 2011 entered into between Zhongji Holdings and Tibet Zhongji to amend and supplement the “name-use license agreement” (《許可使用合同》) dated November 8, 2003 made between Zhongji Holdings and Tibet Zhongji pursuant to the Cooperative Contract, by which Zhongji Holdings agreed to grant license to Tibet Zhongji to use the Chinese name Zhongji (中稷) without charge;
- (t) a strategic cooperative agreement (《戰略合作協議》) executed in March 2011 by Tibet 5100 and ICBCI Holdings, the details of which is more particularly set out under the sub-paragraph headed “Strategic cooperation” in the “History and Corporate Structure” section of this prospectus;
- (u) a strategic cooperative agreement (《戰略合作協議》) executed in April 2011 by Tibet 5100, CCBI and Tibet Branch of CCB, the details of which is more particularly set out under the sub-paragraph headed “Strategic cooperation” in the “History and Corporate Structure” section of this prospectus;
- (v) a cornerstone placing agreement dated June 16, 2011 entered into between Fubon Life Insurance Co., Ltd, the Company, the Joint Global Coordinators and the Joint Bookrunners whereby Fubon Life Insurance Co., Ltd has agreed to subscribe for such number of Shares which may be purchased with an aggregate amount of US\$30,000,000 (or approximately HK\$233,586,000) at the Offer Price, which forms part of the International Placing, subject to the terms and conditions therein, the details of which is more particularly set out in the section headed “Cornerstone Investors” in this prospectus;

- (w) a cornerstone placing agreement dated June 16, 2011 entered into between Profounders I Limited, the Company, the Joint Global Coordinators and the Joint Bookrunners whereby Profounders I Limited has agreed to subscribe for such number of Shares which may be purchased with an aggregate amount of US\$30,000,000 (or approximately HK\$233,586,000) at the Offer Price, which forms part of the International Placing, subject to the terms and conditions therein, the details of which is more particularly set out in the section headed “Cornerstone Investors” in this prospectus;
- (x) the Deed of Non-competition Undertaking dated June 14, 2011 given by the Controlling Shareholders in favour of our Company, the details of which is more particularly set out under the sub-paragraph headed “Non-competition undertaking from our Controlling Shareholders” under the Section headed “Relationship with Controlling Shareholders” of this prospectus;
- (y) a deed of indemnity dated June 14, 2011 given by our Controlling Shareholders in favour of our Company containing indemnities in respect of estate duty, taxation, the details of which is more particularly set out under the sub-paragraph headed “Tax and other indemnities” under the “Other Information” paragraph of the Section “Appendix VI - Statutory and General Information” of this prospectus; and
- (z) the Hong Kong Underwriting Agreement.

## 2. Intellectual property rights of our Group

## (a) Trademarks



As at the Latest Practicable Date, our Group has the following trademarks registered in Hong Kong (“Hong Kong Trademarks”):

*Registered proprietor: Glacier Water*





Trademark	Class	Registration number	Expiry date
TIBET TOUCH	32	300487503	August 31, 2015
納木措 納木措	32	300487512	August 31, 2015
TOUCH	32	300487521	August 31, 2015
TIBETOUCH	32	300487549	August 31, 2015
曲瑪多 曲瑪多	32	300490040	September 5, 2015
5100 冰川礦泉水	32	300591859	March 2, 2016
			
5100 GLACIER MINERALWATER	32	300591868	March 2, 2016
			
冰川礦泉水 5100	32	300682227	July 17, 2016
			
TibetSpring 5100	32	300682245	July 17, 2016
			
S TIBETSPRING	32	300892422	June 14, 2017
			
	3	301778527	December 1, 2020

As at Latest Practicable Date, our Group has the following trademarks registered in the PRC (“PRC Trademarks”):





*Registered proprietor: Tibet Zhongji*

Trademark	Class	Registration number	Duration of validity
	32	4519479	November 28, 2007 to November 27, 2017
	32	4519481	November 28, 2007 to November 27, 2017



*Registered proprietor: Glacier Water*

Trademark	Class	Registration number	Duration of validity
	32	5228828	February 7, 2009 to February 6, 2019
	32	5718116	September 7, 2009 to September 6, 2019
	3	6161050	February 14, 2010 to February 13, 2020
	5	6161049	February 28, 2010, to February 27, 2020
	29	6161048	September 7, 2009 to September 6, 2019
	30	5965458	December 7, 2009 to December 6, 2019
	32	5965503	December 7, 2009 to December 6, 2019
	33	6161047	March 14, 2010 to March 13, 2020
	32	6167832	January 14, 2010 to January 13, 2020

Trademark	Class	Registration number	Duration of validity
	32	6167833	January 14, 2010 to January 13, 2020
	32	6161051	January 14, 2010 to January 13, 2020
	32	6161019	March 14, 2010 to March 13, 2020
	32	6161000	January 14, 2010 to January 13, 2020
	32	6161001	January 14, 2010 to January 13, 2020
	32	6161002	January 14, 2010 to January 13, 2020
	32	6161003	January 14, 2010 to January 13, 2020
	32	6161004	January 14, 2010 to January 13, 2020
	32	6161016	January 14, 2010 to January 13, 2020
	32	6161017	January 14, 2010 to January 13, 2020
	32	6161018	January 14, 2010 to January 13, 2020








Trademark	Class	Registration number	Duration of validity
	32	6161015	January 14, 2010 to January 13, 2020
	32	6161014	January 14, 2010 to January 13, 2020
	32	6161013	January 14, 2010 to January 13, 2020
	32	6161010	January 14, 2010 to January 13, 2020
	32	6161052	January 14, 2010 to January 13, 2020
	32	6161011	January 14, 2010 to January 13, 2020
	32	6161012	January 14, 2010 to January 13, 2020
	32	6161008	January 14, 2010 to January 13, 2020
	32	6161009	January 14, 2010 to January 13, 2020
	32	6161006	January 14, 2010 to January 13, 2020
	32	6161007	January 14, 2010 to January 13, 2020







As at the Latest Practicable Date, our Group has applied for registration of the following trademarks in Hong Kong:

Trademark	Class	Application number	Name of Applicant	Application date
<sup>(H)</sup> TIBET SPRING 西藏冰川矿泉水 	16, 32	301848899	Glacier Water	March 3, 2011
<sup>(H)</sup> TIBET SPRING 西藏冰川矿泉水 				

As at the Latest Practicable Date, our Group has applied for registration of the following trademarks in the PRC:









*Applicant: Glacier Water*

Trademark	Class	Application date	Application number
	1	June 13, 2010	8391681
	2	June 13, 2010	8391680
	3	June 13, 2010	8391679
	4	June 13, 2010	8391678
	5	June 13, 2010	8391677
	6	June 13, 2010	8391676
	7	June 13, 2010	8391675

Trademark	Class	Application date	Application number
	8	June 13, 2010	8391674
	9	June 13, 2010	8391673
	10	June 13, 2010	8391672
	11	June 13, 2010	8391671
	12	June 13, 2010	8391670
	13	June 13, 2010	8391669
	14	June 13, 2010	8391668
	15	June 13, 2010	8391667
	16	June 13, 2010	8391666
	17	June 13, 2010	8391665
	18	June 13, 2010	8391664
	19	June 13, 2010	8391663
	20	June 13, 2010	8391662
	21	June 13, 2010	8391861



Trademark	Class	Application date	Application number
	22	June 13, 2010	8391860
	23	June 13, 2010	8391859
	24	June 13, 2010	8391858
	25	June 13, 2010	8391857
	26	June 13, 2010	8391856
	27	June 13, 2010	8391855
	28	June 13, 2010	8391854
	29	June 13, 2010	8391853
	30	June 13, 2010	8391852
	31	June 13, 2010	8391851
	34	June 13, 2010	8391850
	35	June 13, 2010	8391849
	36	June 13, 2010	8391848
	37	June 13, 2010	8391847

Trademark	Class	Application date	Application number
	38	June 13, 2010	8391846
	39	June 13, 2010	8391845
	40	June 13, 2010	8391844
	41	June 13, 2010	8391843
	42	June 13, 2010	8391842
	43	June 13, 2010	8391835
	44	June 13, 2010	8391834
	45	June 13, 2010	8391833

## Class specification in Hong Kong

Class	Specification
3	Bleaching preparations and other substances for laundry use; cleaning, polishing, scouring and abrasive preparations; soaps; perfumery, essential oils, cosmetics, hair lotions; dentifrices.
16	Paper, cardboard and goods made from these materials, not included in other classes; printed matter; bookbinding material; photographs; stationery; adhesives for stationery or household purposes; artists' materials; paint brushes; typewriters and office requisites (except furniture); instructional and teaching material (except apparatus); plastic materials for packaging (not included in other classes); printers' type; printing blocks.
32	Beers; mineral and aerated waters and other non-alcoholic drinks; fruit drinks and fruit juices; syrups and other preparations for making beverages.

## Class specification in the PRC

Class	Specification
1	Chemicals for use in industries, science, photography, agriculture, gardening and forestry, unprocessed artificial resins, unprocessed plastic substances, fertilizers, fire extinguishing compounds, quenching and metal welding preparations, chemicals for food storage, tanning material, adhesives for industrial use.
2	Dyestuff, clear lacquer, paint, rust prevention agents, wood preserving agent, colorants, mordant, unprocessed natural resins, metal foil and metal powder used by painters, decorators, printers and artists.
3	Bleaching agent and other materials for laundry purpose; cleansing, polishing, stain removal and lapping agents; soap, fragrance, essential oil; cosmetics, hair toner, toothpaste.
4	Industrial oil and grease, lubricant, absorption, spraying and dust adhesive agents, fuel(including gasoline for motors) and illumination materials, illuminating candles and lamp wicks.
5	Medical and veterinarian preparation; medical sanitation preparation;medical nutrition products; baby food; ointment;bandages; dental fillings and dental cast materials; disinfectant, insecticide, fungicide, rust removal agents.
6	Common metals and their alloys, metal construction materials, movable structures, metal materials for iron railways, non-electrical cables and metal wires, small hardware, metal pipes, safety box, common metal products not under other categories, ore sand.
7	Machinery and machine tools, motors and engines (except those used by land vehicles), machine transmission coupling and transmission parts (except those used by land vehicles), non-manual agricultural tools, incubators.
8	Manual tools and apparatus (operated by hands), knives, forks and tableware, sabre, razor.
9	Apparatus and instruments for use in science, marine navigation, land survey, photography, cinematography, optics, weighing, measurement, signals, inspection tests (supervision), rescue (salvage) and teaching; instruments and devices for handling, switching on and off, transmission, accumulation, adjustment and control of electricity; devices for recording, communication, audio and visual players; magnetic data carriers, audio recording disc, automatic vending machines and coin activated installations and mechanical structure for coinactivated installations, cashier registers, computer and data processing installations, fire extinguishing machinery.
10	Apparatus and instruments for surgery, medical, dental and veterinary use; artificial limbs, eyes and teeth;orthopaedic products, stitching materials.
11	Illumination, heating, steam, cooking, cold storage, drying, ventilation, water supply and sanitation equipment and installations.
12	Vehicles; land, air, marine carriers.
13	Fire arms, ammunition and bullets, explosives, fireworks.

Class	Specification
14	Precious metals and their alloys and precious metal products not under other categories or items coated with precious metals, jewellery, ornaments, precious stones, watches and clocks and timepieces.
15	Music instruments.
16	Paper, card board and its products not under other categories, printed items, binding equipment, photographs, stationery, adhesives for stationery and family uses, art materials, paint brushes, typewriters and office equipment (except furniture), educational and teaching aids (except instruments), plastic packaging materials (not under other categories), printing types, printing blocks.
17	Rubber, guttapercha, rubber gum, asbestos, mica and products of these materials not under other categories, semi-finished plastic products for production use; packaging, stuffing and insulation materials, non-metallic hoses.
18	Leather and artificial leather, leather and artificial leather products not under other categories, fur, baggage and travelling bags, umbrella, parasol and sticks, whip and saddler.
19	Non-metal construction materials, non-metal rigid pipes for construction use, asphalt court, pitch, movable non-metal structures, non-metal tablets.
20	Furniture, glass mirrors, mirror frames; wood, soft wood, reed, rattan, willow twig, horn, bone, ivory, whale bone, shell, amber, pearl and meerschaum products not under other categories, and substitutes or plastic products of these materials.
21	Household and kitchen ware and containers (not precious metal products or coated by precious metals), comb and sponge, brush (except paint brush), materials for brush production, cleaning and sweeping equipment, steel wool, unprocessed or semi-processed glass (except glass for construction use), glass ware, porcelain and pottery not under other categories.
22	Cables, ropes, nets, shelters, tents, waterproof curtains, sail and bag (not under other categories), backing pads, fillers (except rubber or plastics), raw material fibres for textiles use.
23	Yarn and threads for textiles use.
24	Fabrics and textiles products not under other categories, bed sheets and table cloths.
25	Garments, shoes, headgears.
26	Lace and embroidery, frilals and braids, buttons, collar fasteners, ornamental pin and stitch needles, artificial flowers.
27	Carpets, floor mats, mats, linoleum and other floor covering materials, non-textile wall curtains.
28	Entertainment products, toys, athletic and sports goods not under other categories, Christmas tree decoration materials.
29	Meat, fish, poultry and game, gravy, pickled, dried and cooked fruit and vegetables; jelly, jam, preserved fruit; egg, milk and dairy products; edible oil and fat.
30	Coffee, tea, cocoa, sugar, rice, edible starch, sago; coffee substitutes; flour and cereal products; bread, cakes and candies; iced food; honey; syrup, yeast; baking powder, salt; mustard, vinegar,salsa (sauce), seasonings, ice.

Class	Specification
31	Agriculture, gardening, forestry products and cereals not under other categories, livestock, fresh fruits and vegetables, seeds, grass and trees and flowering plants, animal feed, malt.
34	Tobacco, smoking equipment, matches.
35	Advertising, business operation, business management, office matters.
36	Insurance, financial, monetary affairs, fixed asset affairs.
37	Housing construction, repairs, installation service.
38	Telecommunications
39	Transportation, commodity packaging and storage, travel arrangements.
40	Materials processing.
41	Education, provision of training, entertainment, arts and sports activities.
42	Scientific and technological services and related research and design services, industry analysis and survey research, design and development of computer hardware and software, legal services.
43	Provision of food and beverage services, temporary lodging.
44	Medical services; veterinary services; human or animal health and beauty services; agriculture, gardening or forestry services.
45	Legal services, personal and social services provided by third parties for satisfying individual needs, property protection and personal safety services.

(b) *Patents*

As at the Latest Practicable Date, our Group was the registered proprietor of the following patents:

Description	Type	Place of registration	Patent number	Expiry date
Bottle label (瓶貼)	Appearance design	PRC	ZL 2008 3 0348230.2	December 15, 2018
Bottle body (瓶體) (1L)	Appearance design	PRC	ZL 2008 3 0348231.7	December 15, 2018
Bottle body (瓶體) (330ml)	Appearance design	PRC	ZL 2008 3 0348233.6	December 15, 2018
Bottle body (瓶體) (Train VIP)	Appearance design	PRC	ZL 2008 3 0348232.1	December 15, 2018

As at the Latest Practicable Date, our Group has applied for registration of the following patent:

<u>Description</u>	<u>Type</u>	<u>Place of application</u>	<u>Application number</u>	<u>Application date</u>	<u>Applicant</u>
Manufacturing and preparation method of glacial mineral water at a high altitude (一種高海拔冰川礦泉水的製備方法)	Invention	PRC	200910164313.X	September 1, 2009	Glacier Water

(c) **Domain Names**

As at the Latest Practicable Date, our Group has registered the following domain names:

<u>Domain Names</u>	<u>Registrant</u>	<u>Date of registration</u>	<u>Expiry Date</u>
曲瑪弄礦泉水.com	5100 Club	October 20, 2009	October 20, 2011
曲瑪弄礦泉水.net	5100 Club	October 20, 2009	October 20, 2011
tibetspring.net.cn	5100 Club	January 15, 2007	January 15, 2013
tibetspring.org	5100 Club	January 15, 2007	January 15, 2013
tibetspring.org.cn	5100 Club	January 15, 2007	January 15, 2013
曲瑪弄礦泉水.中國	5100 Club	October 21, 2009	October 21, 2011
曲瑪弄礦泉水.com	5100 Club	October 21, 2009	October 21, 2011
曲瑪弄礦泉水.net	5100 Club	October 21, 2009	October 21, 2011
西藏冰川礦泉水.com	5100 Club	August 13, 2007	August 13, 2017
西藏冰川礦泉水.net	5100 Club	August 13, 2007	August 13, 2016
西藏冰川礦泉水.中國、西藏冰川礦泉水.cn	5100 Club	August 6, 2007	August 6, 2011
namsto.org	5100 Club	January 15, 2007	January 15, 2013
tibetspring.cn	5100 Club	January 15, 2007	January 15, 2013
5100club.cn	5100 Club	January 29, 2007	January 29, 2013
5100club.com	5100 Club	January 29, 2007	January 29, 2017
5100club.mobi	5100 Club	January 4, 2008	January 4, 2013
5100club.net	5100 Club	January 29, 2007	January 29, 2017
5100.net	5100 Club	November 14, 2004	November 14, 2016
4008105100.net	5100 Club	August 13, 2007	August 13, 2016
namsto.com.cn	5100 Club	January 15, 2007	January 15, 2013
namsto.net	5100 Club	January 15, 2007	January 15, 2013
namsto.net.cn	5100 Club	January 15, 2007	January 15, 2013
namsto.org.cn	5100 Club	January 15, 2007	January 15, 2013
tibetspring.net	5100 Club	January 3, 2008	January 4, 2017

### 3. Related party transactions

Save as disclosed in note 37 under the heading “Related-party transactions” in the section headed “Notes to the financial information” of the accountant’s report set out in Appendix I to this prospectus and the section headed “Connected Transactions” in this prospectus, our Group has not entered into any related party transactions within the two years immediately preceding the date of this prospectus.

## FURTHER INFORMATION ABOUT THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

### 1. Particulars of Directors’ service contracts

#### *Executive Directors*

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from March 1, 2011, except for Mr. Yu Yiping Wallace whose appointment took effect from November 8, 2010.

Each of our executive Directors is entitled to a basic salary as set out below (subject to an annual review in accordance with the amount fixed in each financial year by the Remuneration Committee and approved by majority of the Board), which is payable on the last day of every calendar month on a pro-rata basis. Each of our executive Directors is also entitled to a discretionary bonus in respect of each financial year during of the term of his employment (the amount of which is subject to the decision by the Remuneration Committee and at the discretion and approval by majority of the Board) taking into account of the performance of our Group and such executive Director, provided that the aggregate amount of the discretionary bonuses payable to all the executive Directors for any financial year of our Company may not exceed 5% of the consolidated audited net profit of our Group (after minority interests and taxation arises there but before taxation and extraordinary items of the relevant financial year). An executive Director may not vote on any resolution of our Directors nor shall that executive Director be counted as quorum should a meeting be held for considering the amount of the annual salary or discretionary bonus payable to him.

Name	Annual salary (HK\$)
Mr. Yu Yiping Wallace . . . . .	1,500,000
Mr. Fu Lin . . . . .	1,300,000
Mr. Yue Zhiqiang . . . . .	1,300,000
Ms. Mou Chunhua . . . . .	500,000
Mr. Liu Chen . . . . .	480,000

*Non-executive Director and independent non-executive Directors*

Each of our non-executive Director and our independent non-executive Directors has been appointed for an initial term of three years commencing from March 1, 2011 subject to a right of early termination by serving a three months' notice by either party to the other party, and is entitled to a basic salary as set out below, which is payable on the last day of every calendar month on a pro-rata basis. None of our non-executive Director or our independent non-executive Directors' appointment will be pensionable, nor will such Director be entitled to participate or otherwise be included in any of our Company's retirement schemes or other schemes (other than share option scheme) for the benefit of the employees of our Group.

Name	Annual salary
	(HK\$)
Ms. Jiang Xiaohong . . . . .	500,000
Mr. Jesper Bjoern Madsen . . . . .	240,000
Mr. Lee Kong Wai, Conway . . . . .	240,000
Mr. Wei Cheng, Kevin . . . . .	240,000

Save as disclosed aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

## 2. Directors' remuneration during the Track Record Period

- (a) The aggregate sums of approximately RMB3 million, RMB3 million and RMB3 million were paid to the Directors as remuneration (including benefits in kind) by our Group for the three years ended December 31, 2008, 2009 and 2010 respectively. Further information in respect of the Directors' emoluments is set out in Note 27 of the accountant's report in Appendix I to this prospectus.
- (b) Under the arrangements currently in force, it is estimated that an aggregate of approximately HK\$6,300,000 will be paid to the Directors as remuneration (including benefits in kind but excluding any discretionary bonus which may be paid to any executive Director) by our Group for the financial year ending December 31, 2011.
- (c) None of the Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended December 31, 2008, 2009 and 2010 respectively for (a) the loss of office as director of any member of our Group or of any other office in connection with the management affairs of any member of our Group or (b) as an inducement to join or upon joining any member of our Group.
- (d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments in each of the three years ended December 31, 2008, 2009 and 2010 respectively.



## DISCLOSURE OF INTERESTS

## 1. Disclosure of Interests

(a) *Interests and short positions of the Directors in the share capital of our Company and the associated corporations following the Capitalization Issue and the Global Offering*

So far as is known to the Directors, immediately following completion of the Capitalization Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, none of our Directors or chief executives has interests or short positions in the Shares, underlying Shares and debentures of our Company and the associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

(b) *Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO*

Immediately following completion of the Capitalization Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, in addition to the interests disclosed under paragraph (a) above, so far as the Directors are aware, the following persons are expected to have interests or short positions in the Shares or underlying Shares of our Company which are required to be disclosed to the provisions of Divisions 2 and 3 of Part XV of the SFO or, are expected to be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

<u>Name</u>	<u>Long/Short Position</u>	<u>Capacity/Nature of Interest</u>	<u>Number of Shares/ underlying Shares</u>	<u>Approximate percentage of shareholding</u>
Water Resources <sup>(1)</sup> . . .	Long position	Beneficial owner	1,310,137,000	52.41%
Maple Essence <sup>(1)</sup> . . . . .	Long position	Interest of controlled corporation	1,310,137,000	52.41%
True Asset <sup>(1)</sup> . . . . .	Long position	Interest of controlled corporation	1,310,137,000	52.41%
Mr. Wang <sup>(1)</sup> . . . . .	Long position	Interest of controlled corporation	1,310,137,000	52.41%

Name	Long/Short Position	Capacity/Nature of Interest	Number of Shares/ underlying Shares	Approximate percentage of shareholding
Ye Shunjian <sup>(2)</sup> . . . . .	Long position	Interest of controlled corporation	236,722,000	9.47%
Raventon <sup>(2)</sup> . . . . .	Long position	Beneficial owner	236,722,000	9.47%
CCBI <sup>(3)</sup> . . . . .	Long position	Interest of controlled corporation	163,257,000	6.53%
CCB International Asset Management (Cayman) Limited <sup>(3)</sup>	Long position	Interest of controlled corporation	163,257,000	6.53%
CCB International Asset Management Limited <sup>(3)</sup> . . . . .	Long position	Interest of controlled corporation	163,257,000	6.53%
Bai Jun <sup>(3)</sup> . . . . .	Long position	Beneficial owner	163,257,000	6.53%

*Notes:*

- (1) Water Resources is held as to 98.67% by Maple Essence, which is in turn held as to 90% by True Asset. True Asset is wholly owned by Mr. Wang, therefore Mr. Wang is deemed to be interested in the 1,310,137,000 Shares held by Water Resources upon Listing.
- (2) Raventon is owned as to 85% by Ye Shunjian.
- (3) Bai Jun is an indirect wholly-owned subsidiary of CCB International Asset Management Limited, which is wholly owned by CCB International Asset Management (Cayman) Limited, and CCB International Asset Management (Cayman) Limited is in turn wholly owned by CCBI. Therefore, all of CCBI, CCB International Asset Management (Cayman) Limited and CCB International Asset Management Limited are deemed to be interested in all 163,257,000 Shares held by Bai Jun upon Listing.

In pursuance of the pre-IPO sales and purchases, the pre-IPO Investors are entitled to certain put option rights. For details, please refer to the section headed “History and Corporate Structure” in this prospectus. In particular, Bai Jun, Raventon, Highland Broadview, Big Linkage and Fantastic World are, subject to the conditions in the second and/or the third put options, entitled to put their Shares to Green Highland, whereas Victory Ride, Heartland Capital and Maotai are, subject to the conditions in the second and/or the third put options, entitled to put their Shares to Water Resources, before end July 2012. If all the said inventors shall exercise their second and/or third put options rights, Green Highland and Water Resources will have to take up a maximum of 510,177,000 Shares and 220,396,000 Shares in our Company respectively taking no account of any Shares which may be issued pursuant to the Over-allotment Option and on the assumption that the Company shall not issue any new shares, or sub-divide, consolidate or cancel its Shares, from the Listing to the date when the second or a third option shall be exercised.

## 2. Disclaimers

Save as disclosed in the paragraph headed “Disclosure of Interests” in this Appendix VI to this prospectus:

- (a) the Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately after completion of the Capitalization Issue and the Global Offering (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (b) none of the Directors has any interest or short position in any of the Shares, underlying Shares or debentures of our Company or any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Hong Kong stock Exchange pursuant to the Model Code of Securities Transactions by Directors of Listed Companies, in each case once the Shares are listed;
- (c) none of the Directors nor any of the parties listed under the paragraph headed “Other information — Consents of experts” in this Appendix VI is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of the subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of the subsidiaries;
- (d) none of the Directors nor any of the parties listed in the section headed “Other information — Consents of experts” in this Appendix VI is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our Company’s business;
- (e) save in connection with the Underwriting Agreements, none of the parties listed in the section headed “Other information — Consents of experts” in this Appendix VI:
  - (i) is interested legally or beneficially in any securities of our Company or any of the subsidiaries; or
  - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of the subsidiaries;

- (f) none of the Directors or their associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of the Directors, owns more than 5% of our Company's issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

## OTHER INFORMATION

### 1. Tax and other indemnities

The Controlling Shareholders (namely Water Resources, Maple Essence, True Asset and Mr. Wang) (collectively the “**Indemnifiers**”) have, pursuant to the Deed of Indemnity (the document referred to in paragraph (j) in the sub-section headed “**Summary of material contracts**” in this Appendix), given joint and several indemnities in favour of the Company (for itself and as trustee for its subsidiaries), in connection with, inter alia:

- (i) estate duty which might be payable by any member of the Group by reason of transfer of property on or before the date on which the Share Offer becomes unconditional (the “**Effective Date**”);
- (ii) any tax liabilities falling on any member of the Group resulting from or by reference to any income, profits or gains, transactions, events, matters or things earned, accrued or received, entered into or occurring on or before the Effective Date;
- (iii) any and all expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs (including, but not limited to, legal and other professional costs), charges, liabilities, fines, penalties and tax (collectively, the “**Costs**”) which any member of the Group may incur, suffer or accrue, directly or indirectly, from or on the basis of or in connection with any failure, delay or defects of corporate or regulatory compliance under, or any breach of any provision of, the Companies Ordinance, the Business Registration Ordinance, the Inland Revenue Ordinance or any other applicable laws, rules or regulations by any member of the Group on or before the Effective Date;
- (iv) any and all Costs which any member of the Group may incur, suffer or accrue, directly or indirectly, from or on the basis of or in connection with any litigation, arbitration or other proceedings or investigations against any member of the Group arising or accruing in relation to the operation of the Group or any member thereof on or before the Effective Date;
- (v) any and all Costs which any member of the Group may incur, suffer or accrue, directly or indirectly, from or on the basis of or in connection with:
  - (a) any default, failure or delay in complying with, or any breach of, any law in the PRC by any of Tibet Zhongji, Glacier Water, 5100 Club and Glacier Marketing (collectively, the “**PRC Subsidiaries**” and each a “**PRC Subsidiary**”) on or before the Effective Date;

- (b) any default, failure or delay of any PRC Subsidiary in setting up, or making contributions towards all kinds of insurance, funds, contributions or otherwise required to be insured or made by such PRC Subsidiary under the laws in the PRC for the benefits of their respective employees, including, without limitation, retirement fund, medical insurance, housing provident fund, personal injury insurance and unemployment insurance, or any part thereof on or before the Effective Date;
- (c) any default, failure or delay in registering, or any non-registration of, any tenancy agreement or arrangement entered into, or purported to be entered into, by any PRC Subsidiary as lessee on or before the Effective Date in respect of any leased property located in the PRC;
- (d) any termination or invalidity of any tenancy agreement or arrangement entered into, or purported to be entered into, by any PRC Subsidiary as lessee on or before the Effective Date in respect of any leased property in the PRC by reason of the lack of power, authority or capacity of the lessor or purported lessor in letting the relevant property to the relevant PRC Subsidiary or in entering into the relevant tenancy agreement or arrangement, including but not limited to any and all Costs in respect of relocation and removal of the relevant PRC Subsidiary to a new premises; and
- (e) any claim against any member of the Group in respect of any of the foregoing.

The Indemnifiers will, however, not be liable under the Deed of Indemnity under the following circumstances:

- (i) In respect of any taxation and taxation claims to the extent that:
  - (a) provision or reserve has been made for such taxation in the audited consolidated accounts of the Group as set out in Appendix I to this prospectus;
  - (b) such taxation or liability falling on any member of the Group in respect of its accounting period commencing after 31 December 2010 and ending on the Effective Date, unless such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily effected by, any member of the Group with the prior written consent or agreement or acquiescence of the Indemnifiers other than any of the following (in which case the limitation of liability shall still apply):
    - (1) any such act, omission or transaction carried out or effected in The ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 31 December 2010; and
    - (2) any such act, omission or transaction carried out, effected or entered into pursuant to a legally binding commitment created on or before 31 December 2010;

- (c) such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or interpretation or practice thereof by Inland Revenue Department of Hong Kong or any other relevant authority coming into force after the Effective Date or to the extent that such claim arises or is increased by an increase in tax rates after such date with retrospective effect; or
  - (d) any provision or reserve made for taxation in the audited consolidated accounts of the Group as set out in Appendix I to this prospectus which is finally established to be an excessive reserve or over provision, then the Indemnifiers' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such over-provision or excessive reserve, provided that the amount of any such over-provision or excessive reserve applied pursuant to this paragraph to reduce the Indemnifiers' liability in respect of such taxation shall not be available in respect of any liability arising thereafter in which event the Indemnifiers shall be obliged to indemnify each member of the Group against any liability, loss or damage arising from such liability.
- (ii) In respect of the indemnity contained in paragraphs (iii) to (v) above to the extent that:
- (a) provision or reserve has been made for such Costs in the audited consolidated accounts of the Group as set out in Appendix I to this prospectus; or
  - (b) any Costs falling within paragraphs (iii) to (v) above arises or is incurred as a consequence of any retrospective change in the applicable law or the interpretation or practice thereof by the relevant authority coming into force after the Effective Date or to the extent that the same arises or is increased by reason of such retrospective changes.

## 2. **Litigation**

As at the Latest Practicable Date, neither our Company nor any of our subsidiaries is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against our Company, that would have a material adverse effect on the results of operations or financial condition.

## 3. **Preliminary Expenses**

Our Company's estimated preliminary expenses are approximately HK\$42,000 and are payable by our Company.

## 4. **Joint Sponsors**

The Joint Sponsors made an application on our Company's behalf to the Hong Kong Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein and any Shares falling to be issued pursuant to the exercise of the Over-allotment Option. All necessary arrangements have been made by the Company to enable such Shares to be admitted into CCASS.

**5. No Material Adverse Change**

The Directors confirm that there has been no material adverse change in their financial or trading position since December 31, 2010 (being the date to which our Company's latest audited combined financial statements were made up).

**6. Binding Effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

**7. Miscellaneous**

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus,

- (a) no share or loan capital of our Company or any of the subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (b) no share or loan capital of our Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) neither our Company nor any of the subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
- (d) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;
- (e) no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;
- (f) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and
- (g) our Company has no outstanding convertible debt securities;
- (h) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus; and
- (i) save as disclosed in the section headed "Regulatory Overview", there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong from outside Hong Kong.

## 8. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
J.P. Morgan Securities (Asia Pacific) Limited	Registered under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO
CCB International Capital Limited	Registered under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
ICBC International Capital Limited	Registered under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
CITIC Securities Corporate Finance (HK) Limited	Licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified public accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Jingtian & Gongcheng	Legal advisors on PRC law
Sit Fung Kwong & Shum Solicitors	Legal advisors on Hong Kong law
Jones Lang LaSalle Sallmanns	Professional property surveyors and valuers
ALECTIA A/S	Consultancy services provider
Euromonitor International	Research and analysis services provider

## 9. Consents of experts

Each of the Joint Sponsors, Pricewaterhouse Coopers, Conyers Dill & Pearman, Jingtian & Gongcheng, Sit Fung Kwong & Shum Solicitors, Jones Lang LaSalle Sallmanns, ALECTIA A/S and Euromonitor International has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

As of the Latest Practicable Date, save as stated above or in connection with the Underwriting Agreement, none of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries. ICBCI Holdings' and CCBI's strategic cooperation with our Group can be found in the section headed "History and Corporate Structure" in this prospectus.



**10. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under Section 4 of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**11. Compliance Advisor**

Our Company has appointed Celestial Capital Limited as our compliance advisor in compliance with Rule 3A.19 of the Listing Rules.

**12. Promoters**

Our Company has no promoter for the purpose of the Listing Rules.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the WHITE, YELLOW and GREEN application forms, the written consents referred to under “Appendix VI — Statutory and General Information — Other information — Consents of experts” and certified copies of the material contracts referred to in “Appendix VI — Statutory and General Information — Further Information About Our Company’s Business — Summary of Material Contracts”.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Sit, Fung, Kwong & Shum at 18th Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the accountant’s report of our Company prepared by PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the audited combined accounts of our Group for each of the three financial years ended 31 December 2010;
- (d) the letter from PricewaterhouseCoopers in relation to the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (e) the letters prepared by the Joint Sponsors and PricewaterhouseCoopers on the profit forecast of our Group, the texts of which are set out in Appendix III to this prospectus;
- (f) the letter, summary of values and valuation certificates relating to the property interests prepared by Jones Lang LaSalle Sallmanns Limited, the texts of which are set out in Appendix IV to this prospectus;
- (g) the PRC legal opinions issued by Jingtian & Gongcheng, our counsel on PRC law in respect of our Group’s business operations and property interests in the PRC;
- (h) the letter of advice prepared by Conyers Dill & Pearman, our legal adviser on Cayman Islands laws, summarizing certain aspects of Cayman Islands company law referred to in Appendix V to this prospectus;
- (i) the Cayman Companies Law;

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**APPENDIX VII****DOCUMENTS DELIVERED TO THE REGISTRAR OF  
COMPANIES AND AVAILABLE FOR INSPECTION**

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- (j) the material contracts referred to under “Appendix VI — Statutory and General Information — Further Information About Our Company’s Business — Summary of Material Contracts”;
- (k) the written consents referred to under “Appendix VI — Statutory and General Information — Other information — Consents of Experts”; and
- (l) the service contracts and letters of appointment referred to under “Appendix VI — Statutory and General Information — Further Information About the Directors and Substantial Shareholders”.



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