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2014

THIRD QUARTERLY REPORT



## SUMMARY

US\$'000	For the three months ended 30 September			For the nine months ended 30 September		
	2014	2013	Change	2014	2013	Change
• Turnover	2,953,923	3,389,762	↓ 12.86%	8,458,341	8,812,557	↓ 4.02%
• Gross margin	32.07%	32.58%	↓ 0.51 ppt	31.42%	30.91%	↑ 0.51 ppt
• Gross profit of the Group	947,337	1,104,345	↓ 14.22%	2,657,830	2,724,276	↓ 2.44%
• EBITDA	401,360	471,698	↓ 14.91%	1,104,774	1,054,268	↑ 4.79%
• Profit for the period	205,532	278,453	↓ 26.19%	542,531	523,187	↑ 3.7%
• Profit attributable to owners of the Company	159,653	185,891	↓ 14.11%	391,559	382,546	↑ 2.36%
• Earnings per share (US cents)						
Basic	2.85	3.32	↓ 0.47 cents	6.99	6.84	↑ 0.15 cents
Diluted	2.84	3.31	↓ 0.47 cents	6.97	6.82	↑ 0.15 cents

At 30 September 2014, cash and cash equivalents was US\$1,452,921,000 and gearing ratio was 0.24 times.

## 2014 THIRD QUARTERLY RESULTS

The Board of Directors of Tingyi (Cayman Islands) Holding Corp. (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 30 September 2014 together with the comparative figures for the corresponding periods in 2013. These unaudited condensed consolidated third quarterly financial statements have been reviewed by the Company’s Audit Committee.





# TINGYI (CAYMAN ISLANDS) HOLDING CORP.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the Three Months and Nine Months Ended 30 September 2014 (Unaudited)

	<i>Note</i>	<b>July to September 2014</b> <i>US\$'000</i>	<b>January to September 2014</b> <i>US\$'000</i>	<b>July to September 2013</b> <i>US\$'000</i>	<b>January to September 2013</b> <i>US\$'000</i>
<b>Turnover</b>	2	2,953,923	8,458,341	3,389,762	8,812,557
Cost of sales		(2,006,586)	(5,800,511)	(2,285,417)	(6,088,281)
Gross profit		947,337	2,657,830	1,104,345	2,724,276
Other revenue and other net income		44,270	154,044	51,643	159,327
Distribution costs		(598,107)	(1,703,582)	(692,780)	(1,823,065)
Administrative expenses		(68,503)	(237,273)	(93,518)	(267,452)
Other operating expenses		(35,740)	(105,425)	(9,655)	(55,937)
Finance costs	5	(12,220)	(33,120)	(9,322)	(28,478)
Share of results of associates and joint ventures		4,820	14,292	9,294	15,073
<b>Profit before taxation</b>	5	281,857	746,766	360,007	723,744
Taxation	6	(76,325)	(204,235)	(81,554)	(200,557)
<b>Profit for the period</b>		<u>205,532</u>	<u>542,531</u>	<u>278,453</u>	<u>523,187</u>
<b>Attributable to</b>					
Owners of the Company		159,653	391,559	185,891	382,546
Non-controlling interests		45,879	150,972	92,562	140,641
<b>Profit for the period</b>		<u>205,532</u>	<u>542,531</u>	<u>278,453</u>	<u>523,187</u>
<b>Earnings per share</b>	7				
Basic		<u>2.85 cents</u>	<u>6.99 cents</u>	<u>3.32 cents</u>	<u>6.84 cents</u>
Diluted		<u>2.84 cents</u>	<u>6.97 cents</u>	<u>3.31 cents</u>	<u>6.82 cents</u>





# TINGYI (CAYMAN ISLANDS) HOLDING CORP.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Three Months and Nine Months Ended 30 September 2014 (Unaudited)

	<b>July to September 2014</b>	<b>January to September 2014</b>	<b>July to September 2013</b>	<b>January to September 2013</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Profit for the period</b>	205,532	542,531	278,453	523,187
<b>Other comprehensive income (loss)</b>				
<b>Items that are or may be reclassified   subsequently to profit and loss:</b>				
Exchange differences on consolidation	38,365	(66,284)	18,571	72,869
Fair value changes in available-for-sale financial assets	2,371	2,371	—	11,173
Reclassification adjustments relating to available-for-sale financial assets disposed of in the period	—	—	—	(14,397)
<b>Other comprehensive income (loss) for the period</b>	40,736	(63,913)	18,571	69,645
<b>Total comprehensive income for the period</b>	<u>246,268</u>	<u>478,618</u>	<u>297,024</u>	<u>592,832</u>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	194,565	349,900	199,543	432,538
Non-controlling interests	51,703	128,718	97,481	160,294
	<u>246,268</u>	<u>478,618</u>	<u>297,024</u>	<u>592,832</u>





# TINGYI (CAYMAN ISLANDS) HOLDING CORP.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2014

		At 30 September 2014	At 31 December 2013
		(Unaudited)	(Audited)
	Note	US\$'000	US\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		6,254,690	5,485,100
Prepaid lease payments		345,909	318,961
Intangible assets		27,493	28,058
Interest in associates		33,758	29,050
Interest in joint ventures		81,369	80,276
Available-for-sale financial assets		58,987	24,683
Deferred tax assets		51,732	48,105
		<u>6,853,938</u>	<u>6,014,233</u>
<b>Current assets</b>			
Financial assets at fair value through profit or loss		3,353	4,952
Inventories		454,451	480,862
Trade receivables	9	332,390	260,427
Prepayments and other receivables		481,057	413,957
Pledged bank deposits		19,078	15,491
Bank balances and cash		1,433,843	1,234,399
		<u>2,724,172</u>	<u>2,410,088</u>
<b>Total assets</b>		<u><u>9,578,110</u></u>	<u><u>8,424,321</u></u>





# TINGYI (CAYMAN ISLANDS) HOLDING CORP.

		At 30 September 2014 (Unaudited) <i>US\$'000</i>	At 31 December 2013 (Audited) <i>US\$'000</i>
	<i>Note</i>		
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Issued capital	10	28,015	27,982
Share premium		64,285	53,431
Reserves		2,951,377	2,798,879
<b>Total capital and reserves attributable to owners of the Company</b>		<u>3,043,677</u>	<u>2,880,292</u>
<b>Non-controlling interests</b>		<u>1,136,309</u>	<u>1,046,095</u>
<b>Total equity</b>		<u>4,179,986</u>	<u>3,926,387</u>
<b>Non-current liabilities</b>			
Long-term interest-bearing borrowings	11	1,208,055	659,643
Other non-current liabilities		70,616	262
Employee benefit obligations		30,459	28,186
Deferred tax liabilities		213,902	184,389
		<u>1,523,032</u>	<u>872,480</u>
<b>Current liabilities</b>			
Trade payables	12	1,406,590	1,251,710
Other payables		1,356,734	1,192,428
Current portion of interest-bearing borrowings	11	973,601	1,016,636
Advance payments from customers		56,206	108,354
Taxation		81,961	56,326
		<u>3,875,092</u>	<u>3,625,454</u>
<b>Total liabilities</b>		<u>5,398,124</u>	<u>4,497,934</u>
<b>Total equity and liabilities</b>		<u>9,578,110</u>	<u>8,424,321</u>
<b>Net current liabilities</b>		<u>(1,150,920)</u>	<u>(1,215,366)</u>
<b>Total asset less current liabilities</b>		<u>5,703,018</u>	<u>4,798,867</u>





# TINGYI (CAYMAN ISLANDS) HOLDING CORP.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Nine Months Ended 30 September 2014

	Attributable to owners of the Company			Total capital and reserves (Unaudited) USD'000	Non- controlling interests (Unaudited) USD'000	Total Equity (Unaudited) USD'000
	Issued capital (Unaudited) USD'000	Share premium (Unaudited) USD'000	Reserves (Unaudited) USD'000			
<b>At 1 January 2013</b>	27,964	66,656	2,449,530	2,544,150	945,035	3,489,185
Profit for the period	—	—	382,546	382,546	140,641	523,187
<b>Other comprehensive income:</b>						
Exchange differences on consolidation	—	—	53,216	53,216	19,653	72,869
Fair value changes in available-for-sale financial assets	—	—	11,173	11,173	—	11,173
Reclassification adjustments relating to available-for-sale financial assets disposed of during the period	—	—	(14,397)	(14,397)	—	(14,397)
<b>Total other comprehensive income</b>	—	—	49,992	49,992	19,653	69,645
<b>Total comprehensive income for the period</b>	—	—	432,538	432,538	160,294	592,832
<b>Transactions with owners of the Company:</b>						
<i>Contributions and distribution</i>						
Equity settled share-based transactions	—	—	9,962	9,962	—	9,962
Shares issued under share option scheme	14	4,314	(1,083)	3,245	—	3,245
2012 dividend approved	—	(18,832)	(161,291)	(180,123)	(24,920)	(205,043)
<b>Total transactions with owners of the Company</b>	14	(14,518)	(152,412)	(166,916)	(24,920)	(191,836)
<b>At 30 September 2013</b>	<b>27,978</b>	<b>52,138</b>	<b>2,729,656</b>	<b>2,809,772</b>	<b>1,080,409</b>	<b>3,890,181</b>





# TINGYI (CAYMAN ISLANDS) HOLDING CORP.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Nine Months Ended 30 September 2014

	Attributable to owners of the Company			Total capital and reserves (Unaudited) USD'000	Non- controlling interests (Unaudited) USD'000	Total Equity (Unaudited) USD'000
	Issued capital (Unaudited) USD'000	Share premium (Unaudited) USD'000	Reserves (Unaudited) USD'000			
<b>At 1 January 2014</b>	27,982	53,431	2,798,879	2,880,292	1,046,095	3,926,387
Profit for the period	—	—	391,559	391,559	150,972	542,531
<b>Other comprehensive loss:</b>						
Exchange differences on consolidation	—	—	(44,030)	(44,030)	(22,254)	(66,284)
Fair value changes in available-for-sale financial assets	—	—	2,371	2,371	—	2,371
<b>Total other comprehensive loss</b>	—	—	(41,659)	(41,659)	(22,254)	(63,913)
<b>Total comprehensive income for the period</b>	—	—	349,900	349,900	128,718	478,618
<b>Transactions with owners of the Company:</b>						
<i>Contributions and distribution</i>						
Equity settled share-based transactions	—	—	9,522	9,522	—	9,522
Shares issued under share option scheme	33	10,854	(2,600)	8,287	—	8,287
2013 dividend approved	—	—	(204,324)	(204,324)	(38,504)	(242,828)
<b>Total transactions with owners of the Company</b>	33	10,854	(197,402)	(186,515)	(38,504)	(225,019)
<b>At 30 September 2014</b>	<b>28,015</b>	<b>64,285</b>	<b>2,951,377</b>	<b>3,043,677</b>	<b>1,136,309</b>	<b>4,179,986</b>







**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the Nine Months Ended 30 September 2014

	<b>January to September 2014 (Unaudited) <i>US\$'000</i></b>	<b>January to September 2013 (Unaudited) <i>US\$'000</i></b>
Net cash from operating activities	1,014,516	1,587,980
Net cash used in investing activities	(1,022,686)	(639,548)
Net cash from (used in) financing activities	211,201	(198,602)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	203,031	749,830
Cash and cash equivalents at 1 January	1,249,890	837,898
	<hr/>	<hr/>
Cash and cash equivalents at 30 September	<u>1,452,921</u>	<u>1,587,728</u>
<b>Analysis of the balances of cash and cash equivalents:</b>		
Bank balances and cash	1,433,843	1,570,151
Pledged bank deposits	19,078	17,577
	<hr/>	<hr/>
	<u>1,452,921</u>	<u>1,587,728</u>





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of preparation and accounting policies

The Directors are responsible for the preparation of the Group's unaudited condensed consolidated third quarterly financial statements. These condensed consolidated third quarterly financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These condensed consolidated third quarterly financial statements should be read in conjunction with the 2013 annual financial statements. The accounting policies adopted in preparing the condensed consolidated third quarterly financial statements for the nine months ended 30 September 2014 are consistent with those in the preparation of the Group's annual financial statements for the year ended 31 December 2013, except for the adoption of the new/revised standard of Hong Kong Financial Reporting Standards ("HKFRSs") which are relevant to the Group's operation and are effective for the Group's financial year beginning on 1 January 2014:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The adoption of these amendments to HKFRSs and new interpretation did not result in substantial changes to the Group's accounting policies and amounts reported for the current and prior periods.

### 2. Turnover

The Group's turnover represents revenue arising from the sale of goods at invoiced value to customers, net of returns, discounts and Value Added Tax.





# TINGYI (CAYMAN ISLANDS) HOLDING CORP.

## 3. Segment information

### Segment results

For the Nine Months ended 30 September 2014

	Instant noodles (Unaudited) US\$'000	Beverages (Unaudited) US\$'000	Instant food (Unaudited) US\$'000	Others (Unaudited) US\$'000	Inter-segment elimination (Unaudited) US\$'000	Group (Unaudited) US\$'000
<b>Turnover</b>						
Revenue from						
external customers	3,165,869	5,060,957	136,883	94,632	—	8,458,341
Inter-segment revenue	40	575	118	71,143	(71,876)	—
Segment revenue	<u>3,165,909</u>	<u>5,061,532</u>	<u>137,001</u>	<u>165,775</u>	<u>(71,876)</u>	<u>8,458,341</u>
<b>Segment results after finance cost</b>	388,096	353,995	(7,361)	2,079	(2,367)	734,442
Share of results of associates and joint ventures	—	22,136	(7,844)	—	—	14,292
Unallocated income (expenses), net	—	—	—	(1,968)	—	(1,968)
<b>Profit (loss) before taxation</b>	388,096	376,131	(15,205)	111	(2,367)	746,766
Taxation	(107,692)	(96,475)	428	(496)	—	(204,235)
<b>Profit (loss) for the period</b>	<u>280,404</u>	<u>279,656</u>	<u>(14,777)</u>	<u>(385)</u>	<u>(2,367)</u>	<u>542,531</u>

For the Nine Months ended 30 September 2013

	Instant noodles (Unaudited) US\$'000	Beverages (Unaudited) US\$'000	Instant food (Unaudited) US\$'000	Others (Unaudited) US\$'000	Inter-segment elimination (Unaudited) US\$'000	Group (Unaudited) US\$'000
<b>Turnover</b>						
Revenue from						
external customers	3,145,846	5,409,300	153,818	103,593	—	8,812,557
Inter-segment revenue	40	810	229	75,417	(76,496)	—
Segment revenue	<u>3,145,886</u>	<u>5,410,110</u>	<u>154,047</u>	<u>179,010</u>	<u>(76,496)</u>	<u>8,812,557</u>
<b>Segment results after finance cost</b>	370,895	325,429	(7,894)	24,833	(4,592)	708,671
Share of results of associates and joint ventures	—	16,847	(1,774)	—	—	15,073
<b>Profit (loss) before taxation</b>	370,895	342,276	(9,668)	24,833	(4,592)	723,744
Taxation	(108,004)	(82,785)	410	(10,178)	—	(200,557)
<b>Profit (loss) for the period</b>	<u>262,891</u>	<u>259,491</u>	<u>(9,258)</u>	<u>14,655</u>	<u>(4,592)</u>	<u>523,187</u>

Segment information is prepared based on the regular internal financial information reported to the Company's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance. The Company's executive directors assess the performance of reportable segments based on profit (loss) before taxation, share of results of associates and joint ventures and unallocated income (expenses), net, and net profit for the period.





### 3. Segment information (continued)

#### Segment assets

	At 30 September 2014					
	Instant noodles	Beverages	Instant food	Others	Inter-segment	Group
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	elimination	(Unaudited)
	US\$'000	US\$'000	US\$'000	US\$'000	(Unaudited)	US\$'000
Segment assets	3,537,422	5,286,049	159,256	1,546,827	(1,128,912)	9,400,642
Interest in associates	—	31,815	1,943	—	—	33,758
Interest in joint ventures	—	63,339	18,030	—	—	81,369
Unallocated assets						62,341
<b>Total assets</b>						<b>9,578,110</b>
Segment liabilities	1,164,464	3,230,310	61,161	1,984,606	(1,072,876)	5,367,665
Unallocated liabilities						30,459
<b>Total liabilities</b>						<b>5,398,124</b>

	At 31 December 2013					
	Instant noodles	Beverages	Instant food	Others	Inter-segment	Group
	(Audited)	(Audited)	(Audited)	(Audited)	elimination	(Audited)
	US\$'000	US\$'000	US\$'000	US\$'000	(Audited)	US\$'000
Segment assets	3,420,533	5,075,114	182,198	839,614	(1,232,099)	8,285,360
Interest in associates	—	25,628	3,422	—	—	29,050
Interest in joint ventures	—	57,883	22,393	—	—	80,276
Unallocated assets						29,635
<b>Total assets</b>						<b>8,424,321</b>
Segment liabilities	1,290,983	3,179,545	77,143	1,106,220	(1,184,143)	4,469,748
Unallocated liabilities						28,186
<b>Total liabilities</b>						<b>4,497,934</b>

Segment assets include all assets with the exception of available-for-sale financial assets, financial assets at fair value through profit or loss, interest in associates and interests in joint ventures. Segment liabilities include all liabilities with the exception of employee benefit obligation.

### 4. Seasonality of operations

Due to the seasonal nature of the beverages segment, higher revenue is usually expected in the second and third quarters. Higher sales during the period from June to August are mainly attributed to the increased demand for packed beverages during the hot season.





## 5. Profit before taxation

This is stated after charging:

	July to September 2014 (Unaudited) <i>US\$'000</i>	January to September 2014 (Unaudited) <i>US\$'000</i>	July to September 2013 (Unaudited) <i>US\$'000</i>	January to September 2013 (Unaudited) <i>US\$'000</i>
<b>Finance costs</b>				
Interest on bank and other borrowings wholly repayable within five years	12,220	33,120	9,322	28,478
<b>Other items</b>				
Depreciation	121,380	370,668	116,620	334,761
Amortisation	2,090	6,173	1,915	5,668

## 6. Taxation

	July to September 2014 (Unaudited) <i>US\$'000</i>	January to September 2014 (Unaudited) <i>US\$'000</i>	July to September 2013 (Unaudited) <i>US\$'000</i>	January to September 2013 (Unaudited) <i>US\$'000</i>
<b>Current tax – The People’s Republic of China (the “PRC”) Enterprise income tax</b>				
Current period	65,313	174,321	67,937	167,316
<b>Deferred taxation</b>				
Origination and reversal of temporary differences, net	3,073	4,534	867	6,639
Effect of withholding tax on the distributable profits of the Group’s PRC subsidiaries	7,939	25,380	12,750	26,602
Total tax charge for the period	76,325	204,235	81,554	200,557

The Cayman Islands levies no tax on the income of the Company and the Group.

Hong Kong Profits Tax has not been provided as the Group’s entities had no assessable profit subject to Hong Kong Profits Tax for the nine months ended September 2014 and 2013.

The applicable PRC enterprise income tax for the PRC subsidiaries is at the statutory rate of 25% (2013: 25%). According to the Tax Relief Notice (Cai Shui [2011] no. 58) on the Grand Development of Western Region jointly issued by the Ministry of Finance, the State Administration of Taxation and China Customs, foreign investment enterprises located in the western region of PRC with principal revenue of over 70% generated from the encouraged business activities are entitled to a preferential income tax rate of 15% for 10 years from 1 January 2011 to 31 December 2020. Accordingly, certain subsidiaries located in the Western Region are entitled to a preferential rate of 15% (2013: 15%).

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends distributed to foreign investors by the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings accumulated after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between PRC and jurisdiction of the foreign investors. For the Group’s PRC subsidiaries, associates and joint ventures, the applicable rate is 10%. Deferred tax liability is provided on 50% of post-2007 earnings of the Group’s PRC subsidiaries that are expected to be distributed in the foreseeable future. The remaining 50% of post-2007 earnings of the Group’s PRC subsidiaries that are not expected to be distributed in the foreseeable future would be subject to additional taxation when they are distributed. Undistributed earnings of the Group’s PRC associates and joint ventures are not subject to withholding tax as these companies are held by a PRC subsidiary.





## 7. Earnings per share

### a) Basic earnings per share

	July to September 2014 (Unaudited)	January to September 2014 (Unaudited)	July to September 2013 (Unaudited)	January to September 2013 (Unaudited)
Profit attributable to ordinary shareholders (US\$' 000)	159,653	391,559	185,891	382,546
Weighted average number of ordinary shares ('000)	5,601,583	5,598,633	5,594,476	5,593,898
Basic earnings per share (US cents)	2.85	6.99	3.32	6.84

### b) Diluted earnings per share

	July to September 2014 (Unaudited)	January to September 2014 (Unaudited)	July to September 2013 (Unaudited)	January to September 2013 (Unaudited)
Profit attributable to ordinary shareholders (US\$' 000)	159,653	391,559	185,891	382,546
<i>Weighted average number of ordinary shares (diluted) ('000)</i>				
Weighted average number of ordinary shares ('000)	5,601,583	5,598,633	5,594,476	5,593,898
Effect of the Company's share option scheme	16,542	17,799	15,198	16,680
Weighted average number of ordinary shares for the purpose of calculated diluted earnings per share	5,618,125	5,616,432	5,609,674	5,610,578
Diluted earnings per share (US cents)	2.84	6.97	3.31	6.82

## 8. Dividend

The Board of Directors do not recommend the payment of dividend for the nine months ended 30 September 2014 (2013: nil).

## 9. Trade receivables

The majority of the Group's sales is cash-on-delivery. The remaining balances of sales are mainly at credit terms ranging from 30 to 90 days. The aging analysis of the trade receivables (net of impairment losses for bad and doubtful debts) based on invoice date, at the end of the reporting period is as follows:

	At 30 September 2014 (Unaudited) US\$'000	At 31 December 2013 (Audited) US\$'000
0 - 90 days	316,699	248,538
Over 90 days	15,691	11,889
	332,390	260,427





## 10. Issued capital

	At 30 September 2014 (Unaudited)		At 31 December 2013 (Audited)	
	No. of shares	US\$'000	No. of shares	US\$'000
Authorised:				
Ordinary shares of US\$0.005 each	7,000,000,000	35,000	7,000,000,000	35,000
Issued and fully paid:				
At the beginning of the period/year	5,596,405,360	27,982	5,592,897,360	27,964
Shares issued under share option scheme	6,538,000	33	3,508,000	18
At the end of the reporting period	5,602,943,360	28,015	5,596,405,360	27,982

During the reporting period, 6,538,000 options were exercised to subscribe for 6,538,000 ordinary shares of the Company at a consideration of US\$8,287,000 of which US\$33,000 was credited to share capital and the balance of US\$8,254,000 was credited to the share premium account. US\$2,600,000 has been transferred from the share-based payment reserve to the share premium account.

## 11. Interest-bearing borrowings

	At 30 September 2014 (Unaudited) US\$'000	At 31 December 2013 (Audited) US\$'000
The maturity of the interest bearing borrowings:		
Within one year	973,601	1,016,636
In the second year	335,056	84,874
In the third year to the fifth years, inclusive	872,999	574,769
	2,181,656	1,676,279
Portion classified as current liabilities	(973,601)	(1,016,636)
Non-current portion	1,208,055	659,643

The interest-bearing borrowings consist of unsecured bank loans and notes issued by the Company on 20 June 2012 (the "Notes"). The carrying value of the Notes at the end of the reporting period is US\$496,130,000 (2013: US\$495,172,000) and is included in the interest-bearing borrowings with maturity in the third to fifth years. The Notes are listed on the Singapore Exchange Securities Trading Limited. The fair value of the Notes as at 30 September 2014 was US\$523,600,000 (2013: US\$518,060,000), which was based on the quoted market price.

During the nine months ended 30 September 2014, the Group obtained bank loans in the amount of US\$1,183,066,000 (2013: US\$693,265,000) which were used for the acquisition of properties for the group's Shanghai operation center and production facilities and working capital, and recognised amortised interest of the Notes of US\$958,000 (2013: US\$677,000). Repayments of bank loans amounting to US\$669,500,000 (2013: US\$691,702,000) were made in line with previously disclosed repayment term.





**12. Trade payables**

The aging analysis of trade payables based on invoice date at the end of the reporting period is as follows:

	<b>At 30 September 2014 (Unaudited) US\$'000</b>	<b>At 31 December 2013 (Audited) US\$'000</b>
0 - 90 days	1,343,800	1,214,761
Over 90 days	62,790	36,949
	<u>1,406,590</u>	<u>1,251,710</u>

**13. Fair Value Measurements**

**(a) Financial assets and liabilities carried at fair value**

The following table presents the assets and liabilities measured at fair value or which their fair value are required to be disclosed in these condensed consolidated financial statements on a recurring basis at 30 September 2014 across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair Value Measurement*, with the fair value measurement categorised in its entirety based on the lowest level of input that is significant to the entire measurement. The levels are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

	<b>At 30 September 2014 (Unaudited)</b>				<b>At 31 December 2013 (Audited)</b>			
	<b>Level 1 US\$'000</b>	<b>Level 2 US\$'000</b>	<b>Level 3 US\$'000</b>	<b>Total US\$'000</b>	<b>Level 1 US\$'000</b>	<b>Level 2 US\$'000</b>	<b>Level 3 US\$'000</b>	<b>Total US\$'000</b>
<b>Assets</b>								
<i>Available-for-sale</i>								
- Investment funds	—	21,266	34,327	55,593	—	—	21,275	21,275
<i>Financial assets at fair value through profit or loss</i>								
- Equity securities, listed in Hong Kong	—	—	—	—	4,838	—	—	4,838
- Equity securities, listed outside Hong Kong	3,353	—	—	3,353	114	—	—	114
	<u>3,353</u>	<u>21,266</u>	<u>34,327</u>	<u>58,946</u>	<u>4,952</u>	<u>—</u>	<u>21,275</u>	<u>26,227</u>
<b>Liabilities</b>								
<i>Other payables</i>								
- Derivative financial instruments	—	—	6,893	6,893	—	—	6,893	6,893
	<u>—</u>	<u>—</u>	<u>6,893</u>	<u>6,893</u>	<u>—</u>	<u>—</u>	<u>6,893</u>	<u>6,893</u>







**13. Fair Value Measurements (continued)**

**(a) Financial assets and liabilities carried at fair value (continued)**

During the nine months ended 30 September 2014 and 2013, there was no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

The details of the movements of the recurring fair value measurements categorised as Level 3 of the fair value hierarchy are shown as follows:

	30 September 2014 (Unaudited)		30 September 2013 (Unaudited)	
	Investment Funds US\$'000	Derivative financial instruments US\$'000	Investment Funds US\$'000	Derivative financial instruments US\$'000
At beginning of the period	21,275	(6,893)	16,677	(19,074)
Purchases	12,435	—	2,992	—
Total gains or (losses) recognised:				
– in profit or loss	—	—	—	—
– in other comprehensive income	617	—	—	—
<b>At the end of the reporting period</b>	<b>34,327</b>	<b>(6,893)</b>	<b>19,669</b>	<b>(19,074)</b>

	Period ended 30 September 2014 (Unaudited)		Period ended 30 September 2013 (Unaudited)	
	Investment Funds US\$'000	Derivative financial instruments US\$'000	Investment Funds US\$'000	Derivative financial instruments US\$'000
Change in unrealised gain or (losses) for the period included in profit or loss for assets and liabilities held at the end of the reporting period	—	—	—	—

**Valuation techniques and significant inputs used in Level 2 and Level 3 fair value measurement**

(i) Available-for-sale: Investment funds

The fair value of an investment fund in Level 2 is valued based on the net asset value of each trust unit quoted by the trust administrator based on quoted prices of underlying investments i.e. listed equity and debt securities in an active market without adjustments.

The fair value of one of the investment funds in Level 3 newly acquired in April 2014 is based on the net asset value of the investment fund reported to the investors by the investment manager as of the end of the reporting period. For the remaining investment funds in Level 3, their fair value are valued based on the fair values of the companies invested by the funds. Included in the investment funds, there are listed investments and unlisted investments. The fair values of listed investments are reference to quoted market price, while the fair values of unlisted investments which are valued by the respective investment managers are estimated by valuation techniques, including using price/ earnings (P/E) multiple model and discounted cash flows model. In determining the fair value of unlisted investments, it includes assumptions that are not supported by observable market prices or rates, including the expected annual growth rates, average P/E multiples of comparable companies and discount rates.

(ii) Other payables: Derivative financial instruments

The Derivative financial instruments are measured at fair value estimated based on Monte Carlo Simulation Model. The unobservable inputs used for the valuation of the Derivative financial instruments include fair value of the underlying assets, exercise price, time to maturity, US\$ risk free rate, volatility of the underlying asset's price in HK\$ and dividend yield.

There was no change in valuation techniques during the reporting period. The assumptions of the unobservable inputs used in Level 3 fair value measurement at the end of the reporting period were not significant different with those used in the Group's annual financial statements for the year ended 31 December 2013.





**13. Fair Value Measurements (continued)**

**(a) Financial assets and liabilities carried at fair value (continued)**

**Sensitivity to changes in significant unobservable inputs**

In the opinion of the directors, the impact of changes in significant unobservable inputs on the Level 3 fair value measurement and the Group's profit and other comprehensive income for the period and retained profits were not significantly different from those in the Group's annual financial statements for the year ended 31 December 2013, as there was no significant change in the reasonably possible range of significant unobservable inputs for Level 3 fair value measurements as at 30 September 2014 comparing to 31 December 2013.

**Valuation processes used in Level 3 fair value measurement**

In estimating the fair value of an asset or a liability within Level 3 of the fair value hierarchy, the Group uses market observable data to the extent it is available. Where Level 1 inputs are not available, the Group obtains the valuations provided by the respective investment managers for the investment funds. For the Derivative financial instrument, the Group engages independent qualified professional valuer to perform the valuation.

The Group's finance department includes a team that reviews the valuations performed by the investment managers of the investment funds and the independent valuer for financial reporting purposes. The team reports directly to the senior management. Discussions of valuation processes and results are held between the management, investment managers of the investment funds and independent valuer at least once every year.

At each financial year end, the finance department works closely with the investment managers of the investment funds and independent valuer to establish the appropriate valuation techniques and inputs to the valuation models, verifies all major unobservable inputs in the valuations, assesses valuations movements when compared to the prior year valuation report and holds discussions with the investment managers of the investment funds and independent valuer. At the end of the reporting period, the finance department assessed fair values of an asset or a liability within Level 3 of the fair value hierarchy based on the valuations performed by investment managers and an independent valuer at preceding financial year end taking into account of any significant changes in the assumptions of the unobservable inputs used in fair value measurements during the reporting period.

**(b) Fair values of financial assets and liabilities carried at other than fair value**

In the opinion of the directors, except for the Notes as described in the note 11 to the condensed consolidated financial statements, no other financial assets and liabilities of the Group are carried at amount materially different from their fair values as at 30 September 2014 and 31 December 2013.

**14. Commitments**

	<b>At 30 September 2014 (Unaudited) US\$'000</b>	<b>At 31 December 2013 (Audited) US\$'000</b>
<b>(a) Capital expenditure commitments</b>		
Contracted but not provided for		
Expenditures on property, plant and equipment	327,226	235,442
Investments in investment funds	37,029	27,464
	<u>364,255</u>	<u>262,906</u>
<b>(b) Commitments under operating leases</b>		
At the end of reporting period, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:		
Within one year	41,386	43,723
In the second to fifth years, inclusive	86,452	82,719
After five years	43,584	50,172
	<u>171,422</u>	<u>176,614</u>





## 15. Related party transactions

In addition to the transactions disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions in the ordinary course of the Group's business.

	July to September 2014 (Unaudited) USD'000	January to September 2014 (Unaudited) USD'000	July to September 2013 (Unaudited) USD'000	January to September 2013 (Unaudited) USD'000
<b>(a) Sales of goods to:</b>				
Companies controlled by a substantial shareholder of the Company	7,237	19,375	7,522	18,267
Associates	6,610	18,294	9,237	22,950
Joint ventures	10,875	28,235	16,092	35,409
<b>(b) Purchases of goods from:</b>				
A group of companies jointly controlled by the Company's directors and their dependent	107,323	318,899	131,289	366,967
Companies jointly controlled by the Company's directors	28,187	62,762	19,549	51,117
Joint ventures	1,822	5,497	4,411	11,919
<b>(c) Proceeds from disposal of available-for-sale financial assets:</b>				
A substantial shareholder of the Company	—	—	—	46,120
<b>(d) Acquisition of property, plant and equipment from*:</b>				
A company beneficially owned by one of the Company's directors	—	534,635	—	—

\* On 14 May 2014, the Group completed its acquisition of the entire share capital of Wealth City Investment Limited ("Wealth City") from a company beneficially owned by one of the Company's directors. The sole asset of Wealth City is the entire equity interest in 上海全球名豪房地產有限公司 (Shanghai Jinqiu Minghao Real Estate Co., Ltd.) ("Shanghai Jinqiu Minghao"), a company established in the PRC. Shanghai Jinqiu Minghao, is currently the developer of a property project situated at Wuzhong Road, Hongqiao Town, Minhang District of Shanghai, the PRC. During the reporting period, the Group had paid US\$281,847,000 out of total consideration of RMB2,483,016,850 (equivalent to approximately US\$402,740,000). At the end of the reporting period, the consideration payables of US\$121,073,000 and US\$70,615,000 were included in other payables under current liabilities and other non-current liabilities respectively. Details of this transaction have been set out in the announcement of the Company dated 2 April 2014 and the circular of the Company dated 17 April 2014 in relation to the discloseable and connected transaction.

## 16. Approval of third quarterly financial statements

The third quarterly financial statements of 2014 were approved by the board of directors on 17 November 2014.





## MANAGEMENT DISCUSSION AND ANALYSIS

In the third quarter of 2014, the international geopolitical risks have been intensified, the economic recoveries of U.S. and EU have been decelerated and the growths of economies of the emerging countries have been slowed down. In the third quarter, the Gross Domestic Product (GDP) of the PRC increased by 7.3% year-on-year, a record-low growth level in 22 quarters. From January to September, the Consumer Price Index (CPI) increased by 2.1%, of which food prices increased by 3.3%. Factory prices of industrial manufacturers decreased by 1.6% year-on-year. According to the National Bureau of Statistics, the economy was stable in general and the development trend was steady, while the domestic and overseas conditions were still complicated and economic development was still faced with numerous difficulties and challenges. During the period, the real estate industry declined, coupled with insufficient demand and surplus capacity, and the fixed asset investment growth rate was slackened to 16.1% from January to September. Coupled with economic downturn in prior periods, the impact of the credit crunch cycle on consumption, the constant crackdown of the “Three Public” consumptions and anti-bribery policies, consumption continued to see a slowdown in growth.

In the third quarter of 2014, the Group’s turnover decreased by 12.86% year-on-year to US\$2,953.923 million. Turnover of instant noodles and beverages decreased by 1.81% and 19.95% respectively. During the period, the Group’s gross margin was benefited from the prices falling of some of the major raw materials and refining operations in production, meanwhile beverage sales was hit by the abnormal weather and cool summer, as a result, gross profit margin for the Group decreased by 0.51ppt. to 32.07%, gross profit dropped by 14.22%. As a more conservative trend in consumption developed, the Group improved the controls over operation costs, resulting a decrease in the percentage of distribution costs to total turnover by 0.19ppt. to 20.25%. Due to the drop of gross profit, the unfavorable summer and the cost from beverage alliance integration, the Group’s EBITDA decreased by 14.91% to US\$401.360 million, profit attributable to shareholders dropped by 14.11% to US\$159.653 million, and earnings per share decreased by 0.47 US cents to 2.85 US cents.

## FOOD BUSINESS

### Instant Noodle Business

According to AC Nielsen, the overall market sales volume and sales value of instant noodles in the third quarter decreased by 9.1% and 4.4% year-on-year respectively. Instant noodle business of the Group was affected by the under-performance of the overall industry, however, our turnover was slightly better than market. The turnover of the Group’s instant noodle business was dropped by 1.81% to US\$1,132.083 million year-on-year, representing 38.32% of the Group’s turnover. During the period, the Group was ahead of peers and upgraded the rich ingredients of bowl noodles which drove the increase in price, the free sausage gift pack was phasing out gradually based on market response, as a result, leading the industry towards the direction of benign competition with healthy profits. As a result, the gross profit margin of the instant noodle business increased by 0.04ppt. to 29.81%. During the same period, the Group strengthened management and control over distribution expenses, resulting in an increase in profit attributable to shareholders from the instant noodle business by 10.14% on a year-on-year basis to US\$119.174 million.

According to the latest market share analysis data from AC Nielsen, the market shares of Master Kong’s instant noodles in terms of sales volume and sales amount were 47.2% and 56.4%, respectively, in the third quarter of 2014, representing an increase of 1.5ppt. and 0.4ppt. on a year-on-year basis, moved further ahead from competitors and continued to maintain their market leading positions.

“Master Kong Braised Beef Noodle” continued to promote specification fulfillment under the thematic promotion of “Adherence to Dreams, Loyalty to Original Taste” (堅持夢想忠於原味) and collaborated with the variety show “Chinese Idol” (中國夢之聲), resulting in full exposure online and offline in general. Meanwhile, TVC “More Ingredients series” was broadcast to reinforce the message of our rich ingredients.

On pickled mustard flavors, by adhering to the differentiation needs of “not only sour and crisp, plenty of flavors are even better” (不止酸爽, 超多口味更爽), promotional activities of “You are the winner of sour and crisp expert award” (酸爽行家獎的就是你) were launched to activate the brand, and market share in the pickled mustard flavor market had increased. Master Kong’s Homemade Mushroom Lu Xiang Series continued to refine flavors, and continued to maintain a leading market share.

“Gravy Noodle With Tomato And Egg” expanded its coverage from Northern China to nationwide, it satisfies customers with gravy characteristics of rich taste, wide and thin noodles and rich ingredients, which introduced another route for regional flavors going towards nationwide coverage. “Pickled Chili” series were expanded to the markets in Northern China/Northwestern China.





Rally activities of the new product “Fresh Banquet” was held in Shanghai in July, and joint broadcast over the internet was initiated with the support from the entertainment influence of the movie “But Always” (一生一世) in September, the brand recognition was enhanced and the innovative image of Master Kong was endorsed by consumers, resulting in a steady increase in sales volume and à la carte capabilities, and raised the awareness and attracted purchases from the consumption group which did not or seldom eat instant noodles.

Mid-end bowl noodle was upgraded with rich ingredients to satisfy the demand of affordable market. Fried crispy noodle was reinforced in operation during the back to school period. We initiated the “Fight for dream and luxury gifts, Win another pack” promotion events for “Xiang Bao Cui” and “Cui Xuan Feng”, the sales volume reached a new record high again. We launched 10-gram sample packs for the “Cui” series to enhance the tasting rate of consumers as well as the profit margin, and consumers continued giving favorable comments to these products as they gave the real feeling of snacks.

In respect of production management, human resources enhancement project, automation project and quantity discrepancy improvement project were initiated in second generation plants to streamline production costs continuously; “Xiang Bao Cui” continued to develop its plant layout, the gross profit enhancement project was proved to be effective and increased its product competitiveness; specialized training was initiated in personnel management to improve the management capabilities of plant officers continuously.

Looking ahead in the fourth quarter of 2014, the instant noodles of Master Kong will continue to focus on upgrading the key flavor products of bowl noodles and increase the development and promotions of new products, while consumer-oriented innovations in technologies and products will be sought to create favorable conditions for positive competition in the industry in general. Meanwhile, the Group will be more stringent on monitoring food safety, internal quality inspections will be duly conducted, and a series of controls and management measures will be further strengthened for suppliers and its upstream source management and waste disposal to ensure perfect food safety.

## Instant Food Business

Against the background of higher downturn pressure in the economy, the traditional biscuits market remained sluggish. The turnover of the Group’s instant food business in the third quarter of 2014 was US\$47.330 million, declined by 13.85% for the same period on a year-on-year basis, representing 1.60% of the Group’s total turnover. Affected by the sales decline from the biscuit, lower utilization rate of equipment and other factors, the gross profit margin of the instant food business fell by 2.2ppt. to 36.19% when compared with the corresponding period of the previous year. Moreover, as the new instant food business was still in the initial stage of investment and operation, share of pre-operating expenses and investments for establishing consumer branding awareness adversely affected on the gain/loss on investment, however, the profit and loss for the period remained within expectation. The instant food business recorded an overall loss of US\$4.125 million in the third quarter of 2014.

According to the latest retail research data from AC Nielsen, in terms of sales amount, the market share of Master Kong’s egg rolls was 23.7% in the third quarter of 2014, and ranked No. 1 in the market. The market share of sandwich cracker was 16.2% and ranked No. 2 in the market.

For bakery business during the period, Master Kong’s 3+2 sandwich crackers focused on the theme “fresh and lightly sweet” to increase promotional activities at sales outlets. Sandwich crackers were launched into the market with complete upgrading in all aspects of cracker biscuit, sandwich fillings and packaging of the product. Master Kong’s muffin cakes conducted online lucky draws, interactive games and offline multi-dimensional promotional activities with consumers by using new media technologies to drive sales. Master Kong’s egg rolls launched the thematic consumer activities of “100% prize winning, sharing with kins and friends”, while cooperating with other industry players to communicate the timing of eating the “new breakfast of vigor” (活力新早餐).

In respect of new business cooperation, key items of leisure foods manufactured by Calbee was ranking No. 1 in the category of potato chips with certainty, and the market share in key investment regions of North China and South China was as high as 90%. During the period, promotions through the official Weibo and Weixin and activities for consumers such as food tasting and free gifts on purchases were conducted to expand the brand awareness of the Calbee brand for driving sales. Wakodo milk powder and frozen meat products continued to focus on Eastern China during this quarter and developed an effective marketing model to establish effective channel partnership and promote the growth of results. Moreover, the joint venture company Kongquan (Hangzhou) Food Co., Ltd. will launch for the first time the “MINTIA酷活” brand mint candy in eastern China region during the fourth quarter with a view to establish a market presence in the candy market.





Looking ahead in the future, the focus of instant food business will remain on the innovations and developments of core cake products, enhancing the quality and packaging of core products, and satisfying the demand from different consumer groups with diversified specifications of products. New businesses will penetrate and establish new consumer groups through building up brand reputation and continuous development and testing of new products to increase the willingness for tasting by consumers, and investments in consumer activities at outlets will be made to increase the interactive opportunities with target consumer groups for enhancing the growth of results. The instant food business will continue to improve production to enhance the gross profit margin, control and manage the sales expenses stringently, focus on key areas, improve the “Go to market Model” as well as actively expand the e-commerce channels. By adopting the “focused” strategies, the operation will gradually turn from loss into profit-making.

## BEVERAGE BUSINESS

Due to the lower than expected consumption power in the third quarter, coupled with the effects of rainy days and a cool summer, the beverage market was in a slow and sluggish trend in general, sales volume fell by 3.5% year-on-year. In the third quarter of 2014, the turnover of the beverage business of the Group was US\$1,729.044 million, decreased by 19.95% year-on-year, representing 58.53% of the Group’s total turnover. During the period, prices for major raw material such as PET resin and sugar declined year-on-year, but sales’ decline lowered the utilization rate, as a results, the gross margin decreased by 0.66ppt. year-on-year to 33.41% and gross profit dropped by 21.5%. In addition, the cost incurred by alliance’s integration, and higher basis with excellent performances of last year benefited from the hot summer, the amount of profit from the beverage business attributable to shareholders of the Company declined by 53.32% to US\$37.430 million.

According to the latest monitoring data of AC Nielsen in September 2014, in the third quarter, in terms of sales volume, the market share of Master Kong and Pepsi in the RTD tea market (including milk tea) was 56.0%, being top leading players in the market. In the overall fruit juice market, the market share of Master Kong and Pepsi was 25.7%, ranking No. 1 in the market. Although competition in the bottled water market was increasingly intensive, Master Kong and Pepsi still achieved a market share of 21.9%, the highest in the market, and moved further ahead from competitors. Meanwhile, according to the data of Canadean for the third quarter of 2014, sales of carbonated drinks of the Group captured a market share of 36.1%, ranking the second highest in the market, of which the market share of cola drinks was 53.1%, the highest in the market.

In the RTD tea category, Master Kong ice tea used the personalized slogan of “enjoy thoroughly” (夠痛快) to communicate its branding message and strengthen the brand preference. Green tea was promoted through the “Colorful Running”(炫彩跑) campaign and sales growth was driven by the new flavor “Crystal Sugar Chrysanthemum Tea” (冰糖菊花). Jasmine tea continued the branding message of elegance and romance and had an absolute leading position in the category of jasmine tea products. In the milk tea product category, classic milk tea launched the walnut flavored fragrant dark milk tea to meet the prevailing consumption trend, while improving the textual feeling of the canned package at the same time. By using canned fragrant dark beverage as the key product for hot beverage opportunities, and developed the canned fragrant milk tea gift pack for expanding into the festival gift opportunities.

In fruit juice category, the ranking of No.1 traditional Chinese fruit juice brand, Master Kong’s Crystal Sugar Pear Juice increased its branding awareness continuously through a series of promotional activities. “Honey Pomelos” of the “Traditional Fruit Mix” series enhanced further growth of the branding results through marketing promotions. The “Traditional Fruit Mix” kept leading the new trend in 2014 Sour Plum Drink Gourmet Partner.

In the bottled water category, through the branding theme of “enjoy health by drinking safely” communicated by Yang Lan, a number of sports events and charitable activities were sponsored, and received favorable response and acclaims from consumers. Master Kong natural mineral water, a mid-to-high end positioned product, communicated the concept of high quality drinking water to consumers with “really healthy good water” as the core theme of branding.

Pepsi-cola strengthened its branding assets in music and entertainment segment through the thematic campaign “Pepsi Moves” created with show biz celebrities and launched the promotional activities of “Every bottle has Tmail bonus, one piece turned into local bully” to attract more young consumers. Mirinda continued the expansion strategy for various flavors and secured itself the ranking of No. 1 brand among fruit flavored carbonated drinks. The new flavor “Honey Pomelos” was launched into the market, providing more choices for consumers, and drove the growth in sales together with the water melon flavor.

Gatorade strengthened its brand image of professional sports drink by creating a grass root basketball empire for consumers and building an interactive platform for Gatorade and consumers.







Tropicana enhanced its product capacity and drove sales volume during the peak season by launching the new flavors of fresh apple flavor, mango and yellow peach fruit punch flavor as well as the promotional theme of “larger volume at the same price” for fruit punch drinks. Together with online internet marketing events as well as outdoor transport station promotions, further promotions by giving free drinks on a large scale, consumers were attracted and branding competitiveness was enhanced. Aquafina Pure Water launched new bottle style and new packaging in the market nationwide to promote sales during the peak season, enhanced channel distribution and end-consumer penetration.

Lipton tea was re-launched in the market with high-end brand image and fragrant dark milk tea. Together with the orthodox traditional fragrant English tea, it is expected to carve out a piece of exclusive English taste for white collars in the milk tea market, while expanding the English tea market space at the same time.

As economic policy turned to ensure steady growth, it is expected relaxed monetary policy and warming signs of the property market will appear in the fourth quarter to invigorate consumption. The beverage business launched walnut flavor classic milk tea to satisfy the demand for healthy, natural, high quality and unique requirements. Coupled with warm storage tanks to offer warm drinks during winter, innovative promotions using digital marketing to move consumers, touch human hearts and enhance brand preference, a solid foundation was laid for the new market environment in 2015. Pepsi drinks will continue to centralize and strengthen branding, optimize product mix constantly, support stable organization and personnel turnover, and by enhancing the product and branding capabilities as well as reinforcing its organization and system, the revenue and profit of Pepsi drinks will have greater room for increase.

**FINANCING**

The Group continued to maintain a stable and healthy financial structure for working capital use through effective control of cash and bank balances, trade receivables, trade payables and inventories. As at 30 September 2014, the Group’s cash and bank deposits totaled US\$1,452.921 million, an increase of US\$203.031 million from 31 December 2013. In addition, the Group’s total assets and total liabilities amounted to approximately US\$9,578.110 million and US\$5,398.124 million respectively. This showed increases in US\$1,153.789 million and US\$900.190 million respectively compared to 31 December 2013. The debt ratio increased by 2.97ppt. to 56.36% compared to 31 December 2013.

As at 30 September 2014, the Group’s total borrowings increased by US\$505.377 million to US\$2,181.656 million. The Group’s proportion of the total borrowings denominated in foreign currencies and Renminbi were 90% and 10% respectively, as compared to 88% and 12% respectively as at 31 December 2013. The proportion between the Group’s long-term borrowings and short borrowings was 55% and 45% respectively, as compared to 39% and 61% respectively as at 31 December 2013. In addition, the Group’s transactions are mainly denominated in Renminbi. During the period, the depreciation in Renminbi against US dollar by 1.46% brought an exchange loss of US\$74.335 million. The exchange loss of US\$8.051 million and US\$66.284 million has been included in the income statement and exchange translation reserve respectively.

**Financial Ratio**

	<b>As at 30 September 2014</b>	<b>As at 31 December 2013</b>
Finished goods turnover	11.34 Days	12.90 Days
Trade receivables turnover	9.57 Days	8.23 Days
Current ratio	0.70 Times	0.66 Times
Debt ratio (Total liabilities to total assets)	56.36%	53.39%
Gearing ratio (Net debt to equity attributable to owners of the Company)	0.24 Times	0.15 Times

**HUMAN RESOURCES**

As at 30 September 2014, the Group had 78,283 employees (80,541 employees at 31 December 2013). During the period, the Group continued to improve the mechanisms for selection and cultivation of personnel reserves, plan and implement talent development gateways for retaining the talent and deepening their development. At the same time, the successor echelon plan and the talent development plan continued to be implemented to enhance the cultivation of potential talents.





## CORPORATE SOCIAL RESPONSIBILITY

### The Master Kong Creative Challenges (康師傅創新挑戰賽)

Through the activity segments of charity boot camp, charity practice and quarter finals, the Master Kong Creative Challenges elected the Charity Person of the Year in early September. The “Fortune Bread” (幸運麵包) project was the champion in 2014 for its innovative nature and sound commercial operation model. This year is the fifth anniversary of the Master Kong Creative Challenges, we will take this opportunity to invite all participants for all these years to attend the Master Kong Youth Charity Forum and Prize Presentation Ceremony, about 50 media will follow the event for reporting. And the Taiwan project will be initiated at the same time, by inviting social and corporate celebrities in Taiwan to act as strategic partners in the Challenges, the influence of the Challenges on the three territories across the Taiwan Strait will be enhanced continuously. The Group will offer the champion an opportunity for charitable exchange in the United States under the Pepsi Foundation and promote the Master Kong Youth Charity Forum continuously and increase the influence of the Master Kong Creative Challenges continuously.

In August, Ludian of Yunnan province occurred class 6.5 earthquake, the disaster hit. Tingyi Holding established a disaster response team and sent numbers of Master Kong noodles, Master Kong mineralized water and Pepsi Aquafina Pure Water to the affected areas. In addition, Tinayi Holding emergency vehicle arrived on time, igniting liquefied gas tank, opening gasoline generators, boiling hot water to prepare instant noodles, solved the pressing need for the affected victims. To serve victims and volunteers by making bowls of steaming instant noodles on the first day. Master Kong emergency vehicles were still travelling around the disaster areas after the disaster.

## AWARDS AND HONOURS

1. On July 10, the Boston Consulting Group (BCG) released the “BCG Top 50 Local Leading Enterprises 2014” in which Tingyi (Cayman Islands) Holding Corp. was listed. The selected enterprises won in the competition among multinational corporations due to their in-depth understanding of local customers, their ability to discover new customer groups, unsatisfied demand of customers, and the characteristics and customs of local customers, and these qualities usually are not found in multinational corporations.
2. On August 23, Forbes released the 2014 Top 10 Innovative Enterprises in Asia, and Tingyi (Cayman Islands) Holding Corp. was ranking No. 6. On August 26, Forbes released the Global Top 100 Most Innovative Companies, and Tingyi (Cayman Islands) Holding Corp. was ranking No. 25. In this ranking list, the Innovation Premium of all companies is calculated on the basis of the effect of future innovative achievements (new products, services and markets) of each company have on its share price. Companies named in the ranking list must have a market capitalization above US\$10 billion and at least 2.5% of its operating revenue is used in research and development, and has a track record of making public disclosure of information for seven consecutive years.
3. At the 14th Instant Food Conference held on September 3, Tingyi (Cayman Islands) Holding Corp. won three awards, “Product Innovation”, “Most Favorable Instant Food” and “Best Exhibition Platform”
4. On September 24, World Brands Laboratory released the appraisal results on the influential power of Asian brands, and Master Kong was elected as the 2014 Top 500 Asian Brands.
5. On October 14, China Statistics Information Service Centre (CSISC) of the National Bureau of Statistics of the PRC released the “Research Report on the Verbal Comments of Instant Noodle Brands in China for the 2nd Quarter of 2014” and Master Kong was ranking at the top of the list for its outstanding consolidated performance in six assessment areas, including verbal comments of the brand, brand awareness, quality recognition, consumer interaction, enterprise reputation and favorable comments on product.
6. At the University Students’ Most Favorable Brand Award Presentation Ceremony held in Beijing on the evening of November 1, the brand of Master Kong won two awards, namely, the 99 Most Favorable Brand and the University Students’ Most Favorable Instant Noodle Brand.







## PROSPECTS

During the third quarter of 2014, facing difficulties and challenges in the operating environment in general, consumption desires remained conservative. Despite the Group's results were below expectation, all products were able to maintain a leadership position in the market. Looking ahead in the fourth quarter of 2014, challenges still exist in the operating environment, we will continue to operate along our established operating directions on the basis of our strong and solid foundation, and make appropriate and fine adjustments in response to market changes, to achieve sound and stable operation of the Group.

For the food business, we will focus on upgrading core products on instant noodles. We will develop more new products and continue to lead the industry trend and promotes benign competition in the market. The initial strategy for the instant noodle operation was implemented step by step during the past three quarters and its effect appears gradually, we will continue this core strategy. Meanwhile, instant food business will first focus on the cakes and crackers operation and develop new business gradually as well as seek appropriate business opportunities. We will develop more new products. We will enhance the development of instant food business through merge and acquisition, product and branding innovations, deepen market penetration, development of new marketing channels and business opportunities to provide more varieties, safer and more delicious products for consumers.

For the beverage business, we will continue to consolidate the market position of major products, strengthen research, development capabilities and launch new products timely. The resources of Master Kong and PepsiCo China will be further consolidated and capture development opportunities actively through the integrated synergy of the alliance between Master Kong and PepsiCo. In the future, we will continue to refine our operations through integration between production base and supply chain, strictly control production and selling costs, product quality and productivity, and increase the consolidated synergy in a stable team.

Amid changing business environments such as continuous downturn of the economy, rapid structural change of consumer markets and rising operating costs, in order to enhance the Group's overall performance and achieve future sustainable development to enable steady growth of results, the Group consolidated the management of positions with headquarters staff functions for its previous food business and beverage business on 1 November 2014 and progressively streamlined its organizational structure in the fourth quarter to cope with the rapidly changing environmental and achieve the three major milestones of cost cutting, efficiency enhancement and innovation. In future, as the Shanghai operational centre has completed construction and the top management with training and development for years are successively in place, coupled with enhanced performance of modern office equipment and system, the Group will be able to realize efficient use of resources and more effective operation.

## CORPORATE GOVERNANCE

The Code on Corporate Governance Practices (the "Old Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") was amended and revised as the Corporate Governance Code (the "CG Code") which became effective on 1 April 2012. We have, throughout the period ended 30 September 2014, complied with the code provisions of the Old Code and the CG Code as and when they were/are applicable and in force, except for the deviations from code provisions A.2.1 and A.4.1. The reasons for these deviations are explained below.

### Code provision A.2.1

Code provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same person. Mr. Wei Ing-Chou currently assumes the role of both the Chairman and the Chief Executive Officer of the Company. In this respect, the Group intends to fully comply with the best practice in the near future. However, at present, the Chairman of each of the Company's subsidiaries is responsible for the operation of the respective subsidiary. Due to the need of business development considerations, Mr. Wei Ing-Chou is required to act as the Chairman of certain subsidiaries. Except for these subsidiaries, the Chief Executive Officer of the Group has not act as the Chairman of other subsidiaries. In practice, there is effective separation of the roles between the Chairman of the Company's subsidiaries and the Chief Executive Officer of the Group. Mr. Wei Ing-Chou has been in charge of the overall management of the Company since the listing of the Company in 1996. Although Mr. Wei Ing-Chou does not need to retire by rotation and assumes the role of both the Chairman and the Chief Executive Officer of the Company, the Company considers that such arrangement at this stage helps to promote the efficient formulation and implementation of the Company's strategies which will enable the Group to further develop its businesses effectively. With the above balancing mechanism of Chairman of subsidiaries and the supervision of the Board and the Independent Non-executive Directors, the interests of the shareholders are adequately and fairly represented. The Company has been gradually adopted appropriate measures to ensure that the Company's corporate governance practices comply with the Code.





## **Code provision A.4.1**

Code provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. Our Company deviates from this provision because the non-executive Directors and independent non-executive Directors of our Company do not currently have specific terms of appointment. However, the articles of association of our Company provide that all the Directors are subject to retirement by rotation at least once every three years and at each annual general meeting, one-third of the Directors for the time being or, if the number is not a multiple of three, then, the number nearest to but not less than one-third, shall retire from office by rotation and offer themselves for re-election. As such, the Board considers that sufficient measures have been put in place to ensure our Company's corporate governance practice in this aspect provides sufficient protection for the interests of shareholders to a standard commensurate with that of the code.

We will periodically review and improve our corporate governance practices with reference to the latest corporate governance developments.

## **Directors' responsibility for the financial statements**

The Directors acknowledge their responsibility for preparing the financial statements of the Group. With the assistance of the Finance and Accounting Department which is under the supervision of the Qualified Accountant of the Company, the Directors ensure that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards. The Directors also ensure that the publication of the financial statements of the Group is in a timely manner.

## **Audit Committee**

The Audit Committee currently has three Independent Non-executive Directors, Mr. Lee Tiong-Hock, Mr. Hsu Shin-Chun and Mr. Hiromu Fukada. Mr. Lee Tiong-Hock is the chairman of the Committee. The latest meeting of the Committee was held to review the results of the Group for this period.

## **Remuneration and Nomination Committee**

This Committee now comprises three Independent Non-executive Directors, Mr. Hsu Shin-Chun, Mr. Lee Tiong-Hock and Mr. Hiromu Fukada. Mr. Hsu Shin-Chun is the chairman of the Committee. The Committee was set up to consider and approve the remuneration packages of the senior employees of the Group, including the terms of salary and bonus schemes and other long-term incentive schemes. The Committee also reviews the structure, size and composition of the Board from time to time and recommends to the Board on appointments of Directors and the succession plan for Directors.

## **Internal Control**

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group's internal control system includes a well defined management structure with limits of authority which is designed for the achievement of business objectives, to safeguard assets against unauthorised use or disposition, to ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations.

## **Compliance with the Model Code**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the required standard as set out in the Model Code throughout the review period.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

There were no purchases, sales or redemptions of the Company's shares by the Company or any of its subsidiaries during the period.





**SHARE OPTION SCHEME**

At the extraordinary general meeting held on 20 March 2008, the shareholders approved the adoption of the Share Option Scheme. Detail arrangement for the share option scheme shown as below:

<b>Date of grant</b>	<b>Number of share options granted</b>	<b>Validity period</b>	<b>Exercise price (HK\$)</b>	<b>Number of share granted to Wei Ing-Chou</b>
20 March 2008	11,760,000	21 March 2013 to 20 March 2018	\$9.28	2,000,000
22 April 2009	26,688,000	23 April 2014 to 22 April 2019	\$9.38	2,816,000
1 April 2010	15,044,000	1 April 2015 to 31 March 2020	\$18.57	2,200,000
12 April 2011	17,702,000	12 April 2016 to 11 April 2021	\$19.96	2,264,000
26 April 2012	9,700,000	26 April 2017 to 25 April 2022	\$20.54	1,368,000
27 May 2013	11,492,000	27 May 2018 to 26 May 2023	\$20.16	1,390,000
17 April 2014	12,718,500	17 April 2019 to 16 April 2024	\$22.38	1,486,000

For the period of nine months ended 30 September 2014, 6,538,000 options had been exercised under the Share Option Scheme. Weighted average exercise price was HK\$9.83 and the weighted average market closing price before the date of exercise was HK\$21.72.

**INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE OFFICER IN SHARES**

As at 30 September 2014, the interests and short positions of the Directors and Chief Executive Officer in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which are required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

**(a) Long position in Shares and underlying Shares**

<b>Name of Directors</b>	<b>Number of ordinary shares</b>		<b>Percentage of the issued share capital</b>	<b>Number of underlying shares held under share options (Note 2)</b>
	<b>Personal interests</b>	<b>Corporate interests (Note 1)</b>		
Wei Ing-Chou	13,242,000	1,854,827,866	33.59%	13,524,000
Wei Ying-Chiao	—	1,854,827,866	33.11%	—

**(b) Long position in shares of associated corporation**

<b>Name of Directors</b>	<b>Name of associated Corporation</b>	<b>Number of shares of the associated corporation (Note 3)</b>	<b>Percentage of the issued share capital (Note 3)</b>	<b>Nature of interest (Note 3)</b>
Wei Ing-Chou	Tingyi-Asahi Beverages Holding Co. Ltd.	180,008 shares	17.10%	Corporate
Wei Ying-Chiao	Tingyi-Asahi Beverages Holding Co. Ltd.	180,008 shares	17.10%	Corporate





Note:

1. These 1,854,827,866 shares are held by and registered under the name of Ting Hsin. Ting Hsin is beneficially owned as to approximately 44.08% by Ho Te Investments Limited (“Ho Te”), as to approximately 30.24% by Rich Cheer Holdings Limited (“Rich Cheer”), as to 25.00% by China Foods Investment Corp., an independent third party which was incorporated by Itochu Corporation and Asahi Breweries, Ltd., and as to the remaining 0.68% by unrelated third parties. Ho Te and Rich Cheer were owned as to 100% by Profit Surplus Holdings Limited (“Profit Surplus”). Profit Surplus is the trustee of a unit trust, which is in turn held by four discretionary trusts in equal proportions. HSBC International Trustee Limited is the trustee of each of the above four discretionary trusts, the settlors and discretionary objects of the above four discretionary trusts are as follows:
  - Wei Chang Lu-Yun is the settlor of one of the above discretionary trusts with Wei Chang Lu-Yun and Wei Ing Chou as discretionary objects;
  - Lin Li-Mien is the settlor of one of the above discretionary trusts with Lin Li-Mien and Wei Ying-Chiao as discretionary objects;
  - Wei Hsu Hsiu-Mien is the settlor of one of the above discretionary trusts with Wei Hsu Hsiu-Mien and Wei Yin-Chun as discretionary objects; and
  - Wei Tu Miao is the settlor of one of the above discretionary trusts with Wei Tu Miao and Wei Yin-Heng as discretionary objects.
2. Wei Ing-Chou is also personally interested in 13,242,000 shares and holds 13,524,000 share options (2,000,000 share options are exercisable for the period from 21 March 2013 to 20 March 2018 at an exercise price of HK\$9.28 per share, 2,816,000 share options are exercisable for the period from 23 April 2014 to 22 April 2019 at an exercise price of HK\$9.38 per share and 2,200,000 share options are exercisable for the period from 1 April 2015 to 31 March 2020 at an exercise price of HK\$18.57 per share. 2,264,000 share options are exercisable for the period from 12 April 2016 to 11 April 2021 at an exercise price of HK\$19.96 per share, 1,368,000 share options are exercisable for the period from 26 April 2017 to 25 April 2022 at an exercise price of HK\$20.54 per share. 1,390,000 share options are exercisable for the period from 27 May 2018 to 26 May 2023 at an exercise price of HK\$20.16 per share and 1,486,000 share options are exercisable for the period from 17 April 2019 to 16 April 2024 at an exercise price of HK\$22.38 per share) under the share option scheme of the Company passed by an extraordinary general meeting of the Company held on 20 March 2008. Wei Chang Lu-Yun, being the spouse of Wei Ing-Chou, is also deemed to be interested in the shares and the underlying shares held by Wei Ing-Chou.
3. These 180,008 shares are held by and registered under the name of Ting Hsin. Please refer to note 1 for the shareholding structure of Ting Hsin.

Save as disclosed above, at no time during the year ended 30 September 2014 there were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in or any other body corporate.

Save as disclosed in this paragraph, as at 30 September 2014, none of the Directors and Chief Executive Officer had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.





## Substantial Shareholders and Other Persons' Interests in Shares

So far as was known to any Director or Chief Executive Officer of the Company, as at 30 September 2014, the interests or short positions of substantial shareholders and other persons of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company, were as follows:

### Long position in the Shares and the underlying Shares

Name of shareholder	Capacity	Number of shares held	% of the issued share capital
Ting Hsin (see note 1)^	Beneficial owner	1,854,827,866	33.11
Ho Te Investments Limited (see note 1)^	Interest of controlled company	1,854,827,866	33.11
Rich Cheer Holdings Limited (see note 1)^	Interest of controlled company	1,854,827,866	33.11
Profit Surplus Holdings Limited (see note 1)^	Trustee of a unit trust	1,854,827,866	33.11
HSBC International Trustee Limited (see note 1)^	Trustee of discretionary trusts	1,854,827,866	33.11
Wei Yin-Chun (see note 1)^	Beneficiary of a discretionary trust	1,854,827,866	33.11
Wei Yin-Heng (see note 1)^	Beneficiary of a discretionary trust	1,854,827,866	33.11
Wei Chang Lu-Yun (see notes 1 & 2)^	Settlor and beneficiary of a discretionary trust/Interest of spouse	1,881,593,866	33.59
Lin Li-Mien (see note 1)^	Settlor and beneficiary of a discretionary trust/Interest of spouse	1,854,827,866	33.11
Wei Hsu Hsiu-Mien (see note 1)^	Settlor and beneficiary of a discretionary trust/Interest of spouse	1,854,827,866	33.11
Wei Tu Miao (see note 1)^	Settlor and beneficiary of a discretionary trust/Interest of spouse	1,854,827,866	33.11
Sanyo Foods Co., Ltd.	Beneficial owner	1,854,827,866	33.11

^ Note 1 and 2 are set out on page 27.

Apart from the above, no other interest or short position in the shares or underlying shares of the Company were recorded in register required to be kept under section 336 of the SFO as at 30 September 2014.

## BOARD OF DIRECTORS

As at the date of this report, Mr. Wei Ing-Chou, Mr. Junichiro Ida, Mr. Ryo Yoshizawa, Mr. Wei Ying-Chiao, Mr. Wu Chung-Yi and Mr. Teruo Nagano are Executive Directors of the Company. Mr. Hsu Shin-Chun, Mr. Lee Tiong-Hock and Mr. Hiromu Fukada are Independent Non-executive Directors of the Company.

By Order of the Board  
**Wei Ing-Chou**  
*Chairman*

Tianjin, PRC, 17 November 2014

Website: <http://www.masterkong.com.cn>  
<http://www.irasia.com/listco/hk/tingyi>

