康師傅控股有限公司*
TINGYI (CAYMAN ISLANDS) HOLDING CORP.

2015
THIRD QUARTERLY REPORT

现代好生活十
Life Plus Delicacy

Incorporated in Cayman islands with limited liability
Stock Code： 0322

*For identification purposes only

SUMMARY

US$'000	For the three months ended 30 September 2015	For the three months ended 30 September 2014	Change	For the nine months ended 30 September 2015	For the nine months ended 30 September 2014	Change
• Turnover	2,763,470	2,953,923	↓ 6.45%	7,633,872	8,458,341	↓ 9.75%
• Gross margin	33.30%	32.07%	↑ 1.23 ppt	33.04%	31.42%	↑ 1.62 ppt
• Gross profit of the Group	920,186	947,337	↓ 2.87%	2,522,235	2,657,830	↓ 5.10%
• EBITDA	408,063	401,360	↑ 1.67%	1,087,701	1,104,774	↓ 1.55%
• Profit for the period	188,094	205,532	↓ 8.48%	461,386	542,531	↓ 14.96%
• Profit attributable to owners of the Company	144,275	159,653	↓ 9.63%	341,934	391,559	↓ 12.67%
• Earnings per share (US cents)						
Basic	2.57	2.85	↓ 0.28 cents	6.10	6.99	↓ 0.89 cents
Diluted	2.57	2.84	↓ 0.27 cents	6.09	6.97	↓ 0.88 cents

At 30 September 2015, cash and cash equivalents was US$1,666.044 million, with an increase of US$482.941 million when compared to 31 December 2014. Gearing ratio was 0.28 times.

2015 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 2015 together with the comparative figures for the corresponding periods in 2014. These unaudited condensed consolidated third quarterly financial statements have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT
For the Three Months and Nine Months Ended 30 September 2015

	Note	July to September 2015 (Unaudited) US$'000	January to September 2015 (Unaudited) US$'000	July to September 2014 (Unaudited) US$'000	January to September 2014 (Unaudited) US$'000
Turnover	2	2,763,470	7,633,872	2,953,923	8,458,341
Cost of sales		(1,843,284)	(5,111,637)	(2,006,586)	(5,800,511)
Gross profit		920,186	2,522,235	947,337	2,657,830
Other revenue and other net income		46,811	142,737	44,270	154,044
Distribution costs		(522,802)	(1,486,877)	(598,107)	(1,703,582)
Administrative expenses		(90,993)	(265,118)	(68,503)	(237,273)
Other operating expenses		(76,444)	(208,401)	(35,740)	(105,425)
Finance costs	5	(14,954)	(45,844)	(12,220)	(33,120)
Share of results of associates and joint ventures		5,390	15,219	4,820	14,292
Profit before taxation	5	267,194	673,951	281,857	746,766
Taxation	6	(79,100)	(212,565)	(76,325)	(204,235)
Profit for the period		188,094	461,386	205,532	542,531
Attributable to					
Owners of the Company		144,275	341,934	159,653	391,559
Non-controlling interests		43,819	119,452	45,879	150,972
Profit for the period		188,094	461,386	205,532	542,531
Earnings per share	7				
Basic		2.57 cents	6.10 cents	2.85 cents	6.99 cents
Diluted		2.57 cents	6.09 cents	2.84 cents	6.97 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Three Months and Nine Months Ended 30 September 2015

	July to September 2015 (Unaudited) *US$'000*	January to September 2015 (Unaudited) *US$'000*	July to September 2014 (Unaudited) *US$'000*	January to September 2014 (Unaudited) *US$'000*
Profit for the period	188,094	461,386	205,532	542,531
Other comprehensive (loss) income				
Items that are or may be reclassified subsequently to profit and loss:				
Exchange differences on consolidation	(118,021)	(123,628)	38,365	(66,284)
Fair value changes in available-for-sale financial assets	(3,551)	2,709	2,371	2,371
Reclassification adjustments relating to available-for-sale financial assets disposed of in the period	–	(5,736)	–	–
Other comprehensive (loss) income for the period	(121,572)	(126,655)	40,736	(63,913)
Total comprehensive income for the period	66,522	334,731	246,268	478,618
Total comprehensive income attributable to:				
Owners of the Company	51,298	246,857	194,565	349,900
Non-controlling interests	15,224	87,874	51,703	128,718
	66,522	334,731	246,268	478,618

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2015

	Note	At 30 September 2015 (Unaudited) *US$'000*	At 31 December 2014 (Audited) *US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		5,659,190	5,859,905
Prepaid lease payments		719,474	737,387
Intangible assets		26,739	27,305
Interest in associates		32,964	31,973
Interest in joint ventures		89,052	74,153
Available-for-sale financial assets		88,669	79,052
Deferred tax assets		51,832	53,009
		6,667,920	6,862,784
Current assets			
Financial assets at fair value through profit or loss		7,590	2,352
Inventories		362,938	386,958
Trade receivables	9	310,322	238,239
Prepayments and other receivables		442,057	532,621
Pledged bank deposits		17,534	12,203
Bank balances and cash		1,648,510	1,170,900
		2,788,951	2,343,273
Total assets		9,456,871	9,206,057

	Note	At 30 September 2015 (Unaudited) US$'000	At 31 December 2014 (Audited) US$'000
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	10	28,014	28,019
Share premium		63,900	65,421
Reserves		2,996,006	2,940,117
Total capital and reserves attributable to owners of the Company		3,087,920	3,033,557
Non-controlling interests		1,108,669	1,062,107
Total equity		4,196,589	4,095,664
Non-current liabilities			
Long-term interest-bearing borrowings	11	1,371,900	1,246,720
Employee benefit obligations		30,606	28,702
Deferred tax liabilities		227,152	198,487
		1,629,658	1,473,909
Current liabilities			
Trade payables	12	1,163,390	896,131
Other payables and deposit received		1,169,876	1,233,472
Current portion of interest-bearing borrowings	11	1,171,082	1,382,034
Advance payments from customers		48,942	100,522
Taxation		77,334	24,325
		3,630,624	3,636,484
Total liabilities		5,260,282	5,110,393
Total equity and liabilities		9,456,871	9,206,057
Net current liabilities		(841,673)	(1,293,211)
Total asset less current liabilities		5,826,247	5,569,573

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Nine Months Ended 30 September 2015

	Attributable to owners of the Company					
	Issued capital (Unaudited) *US$'000*	Share premium (Unaudited) *US$'000*	Reserves (Unaudited) *US$'000*	Total capital and reserves (Unaudited) *US$'000*	Non-controlling interests (Unaudited) *US$'000*	Total Equity (Unaudited) *US$'000*
At 1 January 2014	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
Other comprehensive loss:						
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
Total other comprehensive loss	–	–	(41,659)	(41,659)	(22,254)	(63,913)
Total comprehensive income for the period	–	–	349,900	349,900	128,718	478,618
Transactions with owners of the Company:						
Contributions and distribution						
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 and paid	–	–	(204,324)	(204,324)	(38,504)	(242,828)
Total transactions with owners of the Company	33	10,854	(197,402)	(186,515)	(38,504)	(225,019)
At 30 September 2014	28,015	64,285	2,951,377	3,043,677	1,136,309	4,179,986

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Nine Months Ended 30 September 2015

	Attributable to owners of the Company					
	Issued capital (Unaudited) *US$'000*	Share premium (Unaudited) *US$'000*	Reserves (Unaudited) *US$'000*	Total capital and reserves (Unaudited) *US$'000*	Non-controlling interests (Unaudited) *US$'000*	Total Equity (Unaudited) *US$'000*
At 1 January 2015	28,019	65,421	2,940,117	3,033,557	1,062,107	4,095,664
Profit for the period	–	–	341,934	341,934	119,452	461,386
Other comprehensive loss:						
Exchange differences on consolidation	–	–	(92,050)	(92,050)	(31,578)	(123,628)
Fair value changes in available-for-sale financial assets	–	–	2,709	2,709	–	2,709
Reclassification adjustments relating to available-for-sale financial assets disposed of during the period	–	–	(5,736)	(5,736)	–	(5,736)
Total other comprehensive loss	–	–	(95,077)	(95,077)	(31,578)	(126,655)
Total comprehensive income for the period	–	–	246,857	246,857	87,874	334,731
Transactions with owners of the Company:						
Contributions and distribution						
Equity settled share-based transactions	–	–	9,219	9,219	–	9,219
Shares issued under share option scheme	2	698	(127)	573	–	573
2014 dividend approved and paid	–	–	(200,067)	(200,067)	(41,312)	(241,379)
Shares repurchased	(7)	(2,219)	7	(2,219)	–	(2,219)
Total transactions with owners of the Company	(5)	(1,521)	(190,968)	(192,494)	(41,312)	(233,806)
At 30 September 2015	28,014	63,900	2,996,006	3,087,920	1,108,669	4,196,589

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Nine Months Ended 30 September 2015

	January to September 2015 (Unaudited) *US$'000*	January to September 2014 (Unaudited) *US$'000*
OPERATING ACTIVITIES		
Cash generated from operations	1,392,246	1,216,607
The People's Republic of China ("PRC") enterprise income tax paid	(125,774)	(151,902)
Interest paid	(44,774)	(32,162)
Net cash from operating activities	1,221,698	1,032,543
INVESTING ACTIVITIES		
Interest received	36,622	51,952
Purchase of available-for-sale financial assets	(23,686)	(31,947)
Purchase of property, plant and equipment	(378,882)	(747,686)
Prepaid lease payments	(56,105)	(45,361)
Net cash inflow on disposal of a subsidiary	—	19,823
Others	36,018	(269,467)
Net cash used in investing activities	(386,033)	(1,022,686)
FINANCING ACTIVITIES		
Dividends paid to owners of the Company	(200,067)	(204,324)
Dividends paid to non-controlling interests	(41,312)	(38,504)
Proceeds from bank borrowings	639,420	1,115,241
Repayments of bank borrowings	(909,711)	(669,500)
Others	187,789	8,288
Net cash (used in) from financing activities	(323,881)	211,201
Net increase in cash and cash equivalents	511,784	221,058
Cash and cash equivalents at 1 Janauary	1,183,103	1,249,890
Effect on exchange rate changes	(28,843)	(18,027)
Cash and cash equivalents at 30 September	1,666,044	1,452,921
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	1,648,510	1,433,843
Pledged bank deposits	17,534	19,078
	1,666,044	1,452,921

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 2014 annual financial statements. The accounting policies adopted in preparing the condensed consolidated third quarterly financial statements for the nine months ended 30 September 2015 are consistent with those in the preparation of the Group's annual financial statements for the year ended 31 December 2014, except for the adoption of the new/revised standard of Hong Kong Financial Reporting Standards ("HKFRS") which are relevant to the Group's operation and are effective for the Group's financial year beginning on 1 January 2015.

Amendments to HKAS 19 (2011)	Defined Benefit Plans – Employee Contributions
Various HKFRSs	Annual Improvements Project – 2010-2012 cycle
Various HKFRSs	Annual Improvements Project – 2011-2013 cycle

The adoption of these amendments to HKFRSs 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.

3. Segment information

Segment results

	For the Nine Months ended 30 September 2015					
	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*
Turnover						
Revenue from external customers	2,853,995	4,599,831	102,936	77,110	–	7,633,872
Inter-segment revenue	55	421	185	101,308	(101,969)	–
Segment revenue	2,854,050	4,600,252	103,121	178,418	(101,969)	7,633,872
Segment results after finance cost	378,821	291,705	(9,809)	(1,060)	1,004	660,661
Share of results of associates and joint ventures	–	22,016	(6,797)	–	–	15,219
Unallocated expenses, net	–	–	–	(1,929)	–	(1,929)
Profit (loss) before taxation	378,821	313,721	(16,606)	(2,989)	1,004	673,951
Taxation	(112,965)	(97,831)	–	(1,769)	–	(212,565)
Profit (loss) for the period	265,856	215,890	(16,606)	(4,758)	1,004	461,386

	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*
Turnover						
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	3,165,909	5,061,532	137,001	165,775	(71,876)	8,458,341
Segment results after finance cost	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 expenses, net	–	–	–	(1,968)	–	(1,968)
Profit (loss) before taxation	388,096	376,131	(15,205)	111	(2,367)	746,766
Taxation	(107,692)	(96,475)	428	(496)	–	(204,235)
Profit (loss) for the period	280,404	279,656	(14,777)	(385)	(2,367)	542,531

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 expenses, net.

3. Segment information *(continued)*

Segment assets

	At 30 September 2015					
	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*
Segment assets	3,590,535	5,043,843	137,674	1,366,387	(899,843)	9,238,596
Interest in associates	—	32,932	32	—	—	32,964
Interest in joint ventures	—	78,076	10,976	—	—	89,052
Unallocated assets						96,259
Total assets						9,456,871
Segment liabilities	980,422	3,061,951	51,542	1,977,470	(841,708)	5,229,677
Unallocated liabilities						30,605
Total liabilities						5,260,282

	At 31 December 2014					
	Instant noodles (Audited) *US$'000*	**Beverages (Audited)** *US$'000*	**Instant food (Audited)** *US$'000*	**Others (Audited)** *US$'000*	**Inter-segment elimination (Audited)** *US$'000*	**Group (Audited)** *US$'000*
Segment assets	3,446,274	5,227,348	160,291	1,340,036	(1,155,422)	9,018,527
Interest in associates	—	30,646	1,327	—	—	31,973
Interest in joint ventures	—	58,346	15,807	—	—	74,153
Unallocated assets						81,404
Total assets						9,206,057
Segment liabilities	1,041,013	3,311,438	62,817	1,766,568	(1,100,145)	5,081,691
Unallocated liabilities						28,702
Total liabilities						5,110,393

Segment assets include all assets with the exception of interest in associates, interests in joint ventures and unallocated assets. 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 2015 (Unaudited) *US$'000*	January to September 2015 (Unaudited) *US$'000*	July to September 2014 (Unaudited) *US$'000*	January to September 2014 (Unaudited) *US$'000*
Finance costs				
Interest on bank and other borrowings wholly repayable within five years	14,954	45,844	12,220	33,120
Other items				
Depreciation	133,720	391,725	121,380	370,668
Amortisation	3,938	12,802	2,090	6,173

6. Taxation

	July to September 2015 (Unaudited) *US$'000*	January to September 2015 (Unaudited) *US$'000*	July to September 2014 (Unaudited) *US$'000*	January to September 2014 (Unaudited) *US$'000*
Current tax – The PRC enterprise income tax				
Current period	65,120	180,271	65,313	174,321
Deferred taxation				
Origination and reversal of temporary differences, net	3,690	8,385	3,073	4,534
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	10,290	23,909	7,939	25,380
Total tax charge for the period	79,100	212,565	76,325	204,235

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 2015 and 2014.

The applicable PRC enterprise income tax for the PRC subsidiaries is at the statutory rate of 25% (2014: 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% (2014: 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 net earnings of the Group's PRC subsidiaries that are expected to be distributed in the foreseeable future. The remaining 50% of post-2007 net 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 2015 (Unaudited)	January to September 2015 (Unaudited)	July to September 2014 (Unaudited)	January to September 2014 (Unaudited)
Profit attributable to ordinary shareholders (US$' 000)	144,275	341,934	159,653	391,559
Weighted average number of ordinary shares ('000)	5,603,352	5,603,804	5,601,583	5,598,633
Basic earnings per share (US cents)	2.57	6.10	2.85	6.99

b) *Diluted earnings per share*

	July to September 2015 (Unaudited)	January to September 2015 (Unaudited)	July to September 2014 (Unaudited)	January to September 2014 (Unaudited)
Profit attributable to ordinary shareholders (US$' 000)	144,275	341,934	159,653	391,559
Weighted average number of ordinary shares (diluted) ('000)				
Weighted average number of ordinary shares	5,603,352	5,603,804	5,601,583	5,598,633
Effect of the Company's share option scheme	6,106	7,953	16,542	17,799
Weighted average number of ordinary shares for the purpose of calculated diluted earnings per share	5,609,458	5,611,757	5,618,125	5,616,432
Diluted earnings per share (US cents)	2.57	6.09	2.84	6.97

8. Dividend

The Board of Directors do not recommend the payment of dividend for the nine months ended 30 September 2015 (2014: 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 2015 (Unaudited) *US$'000*	At 31 December 2014 (Audited) *US$'000*
0 - 90 days	287,701	216,763
Over 90 days	22,621	21,476
	310,322	238,239

10. Issued capital

	At 30 September 2015 (Unaudited)		At 31 December 2014 (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	5,603,759,360	28,019	5,596,405,360	27,982
Shares issued under share option scheme	350,000	2	7,354,000	37
Shares repurchased	(1,238,000)	(7)	—	—
At the end of the reporting period	5,602,871,360	28,014	5,603,759,360	28,019

During the reporting period, 350,000 options were exercised to subscribe for 350,000 ordinary shares of the Company at a consideration of US$573,000 of which US$2,000 was credited to share capital and the balance of US$571,000 was credited to the share premium account. US$127,000 has been transferred from the share-based payment reserve to the share premium account.

During the reporting period, the Company repurchased 1,238,000 ordinary shares at a consideration of approximately US$2,219,000, of which US$7,000 and US$2,219,000 was debited to issued capital and share premium respectively and US$7,000 was credited to capital redemption reserve.

11. Interest-bearing borrowings

	At 30 September 2015 (Unaudited) *US$'000*	At 31 December 2014 (Audited) *US$'000*
The maturity of the interest bearing borrowings:		
Within one year	1,171,082	1,382,034
In the second year	738,874	276,621
In the third to fifth years, inclusive	633,026	970,099
	2,542,982	2,628,754
Portion classified as current liabilities	(1,171,082)	(1,382,034)
Non-current portion	1,371,900	1,246,720

The interest-bearing borrowings consist of unsecured bank loans and notes payable.

On 6 August 2015, the Company issued notes (the "RMB Notes") with an aggregate principal amount of RMB1,000,000,000. The carrying amount of the RMB Notes at the end of reporting period is US$156,097,000 and is included in the interest-bearing borrowings with maturity in the third to the fifth years. The RMB Notes are listed on the Singapore Exchange Securities Trading Limited. The fair value of the RMB Notes as at 30 September 2015 was US$151,482,000.

The carrying value of the notes issued by the Company on 20 June 2012 (the "US$ Notes") at the end of the reporting period is US$497,502,000 (2014: US$496,504,000) and is included in the interest-bearing borrowings with maturity in the second year (2014: in the third to fifth years). The US$ Notes are listed on the Singapore Exchange Securities Trading Limited. The fair value of the US$ Notes as at 30 September 2015 was US$511,625,000 (2014: US$516,950,000).

During the nine months ended 30 September 2015, the Group obtained bank loans in the amount of US$639,420,000 (2014: US$1,183,066,000) which were used for the acquisition of production facilities and working capital, and recognised amortised interest of the RMB Notes and US$ Notes of US$1,070,000 (2014: US$958,000). Repayments of bank loans amounting to US$909,711,000 (2014: US$669,500,000) 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:

	At 30 September 2015 (Unaudited) *US$'000*	At 31 December 2014 (Audited) *US$'000*
0 - 90 days	1,124,329	863,205
Over 90 days	39,061	32,926
	1,163,390	896,131

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 required to disclose their fair value in these condensed consolidated financial statements on a recurring basis at 30 September 2015 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.

	At 30 September 2015 (Unaudited)				At 31 December 2014 (Audited)			
	Level 1 *US$'000*	Level 2 *US$'000*	Level 3 *US$'000*	Total *US$'000*	Level 1 *US$'000*	Level 2 *US$'000*	Level 3 *US$'000*	Total *US$'000*
Assets								
Available-for-sale								
– Investment funds	–	12,636	57,065	69,701	–	24,956	50,708	75,664
– Unlisted equity securities	–	–	15,600	15,600	–	–	–	–
Financial assets at fair value through profit or loss								
– Listed equity securities	2,779	–	–	2,779	2,352	–	–	2,352
– Interest rate swap	–	771	–	771	–	–	–	–
– Cross currency interest rate swaps	–	4,040	–	4,040	–	–	–	–
	2,779	17,447	72,665	92,891	2,352	24,956	50,708	78,016
Liabilities								
Other payables and deposits received								
– Derivative financial instruments	–	–	314	314	–	–	314	314

During the nine months ended 30 September 2015 and 2014, 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.

13. Fair Value Measurements *(continued)*

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

The details of the movements of the recurring fair value measurements categorised as Level 3 of the fair value hierarchy for the nine months ended 30 September 2014 and 2015 are shown as follows:

	30 September 2015 (Unaudited)			30 September 2014 (Unaudited)		
	Investment Funds *US$'000*	**Unlisted equity securities** *US$'000*	**Derivative financial instruments** *US$'000*	**Investment Funds** *US$'000*	**Unlisted equity securities** *US$'000*	**Derivative financial instruments** *US$'000*
At beginning of the period	50,708	–	(314)	21,275	–	(6,893)
Purchases	8,086	15,600	–	12,435	–	–
Disposals	(1,781)	–	–	–	–	–
Total gains or (losses) recognised:						
– in profit or loss	–	–	–	–	–	–
– in other comprehensive income	52	–	–	617	–	–
At the end of the reporting period	57,065	15,600	(314)	34,327	–	(6,893)
Total gains or (losses) for the period reclassified from other comprehensive income on disposals	781	–	–	–	–	–
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 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 values are based on the fair values of the companies invested by the funds. All of the investment funds in Level 3 included both listed investments and unlisted investments. The fair value of listed investments are reference to quoted market price, while the fair value of unlisted investments which are valued by the respective investment managers are estimated by valuation techniques, mainly including using Price/earning ratio (P/E) multiple model, Price/sales (P/S) multiple model and discounted cash flows model. In determining the fair value of unlisted investments, it include assumptions that are not supported by observable market prices or rates, including the expected annual growth rates, average P/E multiples of comparable companies, average P/S multiples of comparable companies and discount rates.

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

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

(ii) Available-for-sale: Unlisted equity securities

The fair value of the unlisted equity securities in Level 3 newly invested in current period are determined by the investment managers by using Price/sales (P/S) multiple model. In determining the fair value of the unlisted equity securities, it includes assumptions that are not supported by observable market prices or rates, including expected annual growth rates and average P/S multiples of comparable companies.

(iii) Interest rate swap and cross currency interest rate swaps

The fair value of cross-currency interest rate swap contracts and interest rate swap contract are calculated as the present value of the estimated cash flows based on the terms and maturity of each contract, taking into account the current interest rates, foreign exchange spot and forward rates and interest rate curves.

(iv) Other payables and deposits received: Derivative financial instrusments

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, exercising 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 2014.

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 were not significant different with those in the Group's annual financial statements for the year ended 31 December 2014, 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 2015 comparing to 31 December 2014.

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 or trust administrator for the investment funds and unlisted equity securities. For the derivative financial instrument, the Group engaged 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 or trust administrator of the investment funds and unlisted equity securities 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 or trust administrator of the investment funds or unlisted equity securities and independent valuer at least once every year. At each financial year end, the finance department works closely with the investment managers or trust administrator of the investment funds or unlisted equity securities 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 or trust administrator of the investment funds and unlisted equity securities 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 or trust administrator 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 payable 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 2015 and 31 December 2014.

14. Commitments

	At 30 September 2015 (Unaudited) *US$'000*	At 31 December 2014 (Audited) *US$'000*
(a) Capital expenditure commitments		
Contracted but not provided for		
Expenditures on property, plant and equipment	161,588	280,056
Investment funds	28,411	28,026
	189,999	308,082

(b) Commitments under operating leases

At the end of reporting period, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	At 30 September 2015 (Unaudited) *US$'000*	At 31 December 2014 (Audited) *US$'000*
Within one year	42,783	47,235
In the second to fifth years, inclusive	80,468	75,865
After five years	33,463	42,214
	156,714	165,314

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 2015 (Unaudited) *USD'000*	January to September 2015 (Unaudited) *USD'000*	July to September 2014 (Unaudited) *USD'000*	January to September 2014 (Unaudited) *USD'000*
(a) Sales of goods to:				
Companies controlled by a substantial shareholder of the Company	8,263	20,086	7,237	19,375
Associates	7,500	19,571	6,610	18,294
Joint ventures	13,059	46,681	10,875	28,235
(b) Purchases of goods from:				
A group of companies jointly controlled by the Company's directors and their dependent	104,923	281,594	107,323	318,899
Companies jointly controlled by the Company's directors	27,610	65,767	28,187	62,762
Joint ventures	1,258	4,222	1,822	5,497

16. Contingent liabilities

In 2014, the Group announced a voluntary retirement plan (the "Plan") for its employees as a result of an integration programme of its Pepsi beverage business. The Group has made an offer of the Plan to the affected employees who can decide to accept the offer of benefits in exchange for the termination of their employments. The termination benefits of US$37 million have been recognised as expenses during the nine-month period ended 30 September 2015. At 30 September 2015, the estimated possible obligation of termination benefits is amounted to approximately US$37 million (31 December 2014: US$70 million) which is expected to be settled between 2015 and 2016 if all the offers are accepted by qualified employees.

17. Approval of third quarterly financial statements

The third quarterly financial statements of 2015 were approved by the board of directors on 16 November 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

During the third quarter of 2015, the momentum of global economic recovery remained weak. Faced with the pressure of overcapacity and financial leverage, the growth rate of the economy slowed down and its the lowest level since the first quarter of 2009, GDP only increased by 6.9% year-on-year ("yoy"). In the second half of the year, we still upheld our prudent attitude towards the business environment, which would be susceptible to the operations of food and beverage industry.

In the third quarter, the Group further expanded the execution of planned operational strategies and management focus, so as to achieve the targets of "cost cutting, efficiency enhancement, innovation and safety". These focuses included: providing consumers at large with more varieties of comprehensive quality products through products upgrade; strengthening business execution and supply chain management, and effectively managing the inventories at the channels and capital expenditure; entering into alliances with international strategic partners in order to stimulate products and operational innovation; and enhancing staff training in view of organization succession.

In the third quarter of 2015, the Group's turnover decreased by 6.45% yoy to US$2,763.470 million. Turnover of instant noodles and beverages decreased by 6.2% and 5.26% respectively. However, the yoy decline rate of the Group's turnover during the third quarter has been slowed down as compared to that of the first half. During the period, benefiting from the fall in the prices of certain major raw materials, optimization of product mix and rationalization in production operations, gross profit margin was improved. The Group's gross profit margin in the third quarter of the year increased by 1.23 ppt. to 33.30% yoy. As a more conservative trend in consumption was developed, the Group has been well controlled operation costs. During the period, distribution costs as a percentage of the total turnover was 18.92%, a decrease of 1.33 ppt. yoy. The EBITDA of the Group for the third quarter of 2015 increased by 1.67% to US$408.063 million, EBITDA margin increased by 1.18 ppt. to 14.77%. Profit attributable to owners of the Company dropped by 9.63% to US$144.275 million. The yoy decline rate of the Group's net profit during the third quarter has been slowed down as compared to that of the first half. Net profit margin was 5.22%, a decrease of 0.18 ppt. yoy. Earnings per share decreased by 0.28 US cents to 2.57 US cents.

Instant Noodle Business

According to AC Nielsen, the instant noodle industry in China went into a recession for four consecutive quarters but had shown signs of stabilization. The sales volume of the market as a whole decreased by 2.8% yoy, but the sales amount increased by 0.4% yoy. During the third quarter, in terms of sales volume and sales amount, the market share of Master Kong's instant noodle was 46.3% and 55.0% respectively, maintained the leading position in the market.

In the third quarter of 2015, the turnover of the Group's instant noodle business was US$1,061.913 million, a decrease of 6.2% on a yoy basis, and representing 38.43% of the Group's turnover. Benefited from the low level of palm oil price and other material prices remained stable during the period, as a result, the gross profit margin of the instant noodle business increased by 1.95 ppt. to 31.76%. During the period, the Group has effectively controlled marketing and promotion expenses. Due to the sales decline, profit attributable to owners of the Company from the instant noodle business dropped by 5.48% yoy to US$112.645 million. Profit attributable to owners of the Company margin for the third quarter of 2015 slightly rose by 0.08 ppt. to 10.61%.

In order to meet the demand for nutritious ingredients from consumers at various strata of the society, the Group will continue to adopt the planned upgrade strategies for our instant noodle business, so as to maintain the momentum of sustainable growth:

1. To speed up the upgrade of mainstream products in the market and steer the upgrading of industrial technology and standard.

2. To focus on the operation of brand equity, and to committedly provide convenient, delicious, affordable perfect consumption experiences to consumers from different tiers.

3. To finalize the tracking system for food safety management and quality stability, which provided assurance on the products and services to the consumers.

4. To encourage proactive innovation by leveraging on the innovations on the taste and packaging, the operation of modern channels, and technical mechanisms of brand management and supply chain management, so that the needs of consumers and the growth of the enterprises were met.

High-End Noodle

The Group maintained its absolute leadership position at the high-end noodle market, and initiated products upgrade in addition to innovating products planning, so as to cater with consumer demand. We also focused on vitalizing the brand image, which emphasized healthy, young and fashionable elements, and communicated with young consumers in form of entertainment. A wide variety of activities and promotions were organized timely. Through various sponsored events, the favourable branding influence of products and satisfaction level of consumers towards products were enhanced, such as the proposition of "Persisting in Dreams, Supporting You All the Way" of the Braised Brand, the recognition of the brand by the younger community was enhanced; the penetration in campus market by the "Pickled Mustard Series" and the promotion of cuisine demand for a "healthy and balanced" diet of the "Gravy Noodle Series" through the "Equalizer five operations" online platform.

Moreover, the Group introduced a range of new products to steer the development trend of niche noodle market. After the launch of "Fresh Banquet" which is steamed noodles that appeal for healthy demands and "Zhen Liao Duo" tall cup noodle with "Precious" food materials, we adopted innovative brand communication means to publish our creative video of "Fried Noodle Combo Forever and Ever", which did not only successfully provide consumers with a new way of consumption (fired noodle + tasty soup), but also won the Gold Award for the brand content and entertainment category in the 2015 Spikes Asia Award. The innovative flavours and new products under the new high-end categories achieved remarkable turnaround performance during the period.

Mid-end Noodle/Snack Noodle

According to AC Nielsen, in terms of sales amount, the market share of the Group's mid-end noodle products for the third quarter was 40.5%, which steadily maintained the leading position in the market. We maintained our focus on meeting consumers' demand for affordable products. In addition to strengthening channel innovation and development, we also placed emphasis on enhancing the penetration rate of product, with an aim to effectively refine supply chain and optimize warehousing management, in order to provide more comprehensive services. During the third quarter, the RMB1.00 "Xiang Bao Cui" snack noodle was launched with a promotion campaign that combined online and offline marketing in an interactive manner. High sales were recorded. At the same time, the product was upgraded so as to continue steering for innovation. "Cui Xuan Feng + String Bean" was well received in terms of sales. Positive feedback were received, which offered consumers with more abundant and diversified choices of products. Our key objective is to fully capture the market share by capitalizing from upgrade and innovation.

Instant Food Business

According to AC Nielsen, as a result of the prolonged downturn of traditional biscuit market in the third quarter of 2015, the sales volume and the sales amount of biscuit market as a whole declined by 3.4% and 1.4% yoy respectively. The business environment still faced with relatively significant challenges. In response to the changes in market and environment, the Group adjusted its strategy of investing in certain items, re-designed the management of network and channel inventory level, with an aim to enhance overall efficiency. The Group will continue to actively strengthen its operation that emphasizes in developing items with momentum of growth. During the third quarter, in terms of sales amount, Master Kong Egg Rolls accounted for 19.3% of the market share, which ranked first in the market, whilst the sandwich crackers accounted for 13.1% of the market share, and ranked second in the market.

In the third quarter of 2015, the sales of the group's instant food business was US$36.235 million, dropped by 23.44% when compared to same period last year, representing 1.31% of the Group's total turnover. During the period, although we have severely controlled the selling and administrative expenses, the instant food business still recorded a loss of US$5.651 million as a result of the reduction in the sales volume of the core bakery business and the recognition of the loss from the new instant food business.

In view of the above business environment, the Group will focus in the following core strategies:

1. To focus on key products such as sandwich crackers, muffin and egg rolls. By capitalizing on products upgrade and innovation such as diversified packaging specification and high-end presentation, the market share and consolidated profit were enhanced.

2. To enhance productivity efficiency and reduce costs through optimizing the layout of the supply chain, as well as introduction of automation systems and systems that reduces headcounts, thereby enhancing competitiveness.

Apart from improving the soda sandwich products, new specifications for products were developed for electric appliance vendors and for the 3 + 2 sharing package and display box selling at convenience stores. It is also planned that gift box packs will be launched for Chinese New Year. To cater for the demand of consumers for high-end exquisite cakes, the upgraded muffin with new flavors will be launched. As for our new business, emphasis will continue to be placed on accumulation and learning of industry experience, with the existing products and customers as the focus. By leveraging on optimizing supply chain and refining product portfolio, and combining the characteristics of diversified choices and small volume of instant food, a light and flexible business model for development will be established.

The Group posted an announcement regarding the termination of the joint venture relationship in Calbee (HangZhou) Foods Co., Ltd. on 4 November 2015. After amiable negotiation with the Japanese side, the Group will acquire all equity interests of Calbee (HangZhou) Foods Co., Ltd. held by Calbee and Itochu Corporation, and the joint-venture relationship will terminate. And the Group will undertake and continue to operate the existing business of the joint venture.

BEVERAGE BUSINESS

According to AC Nielsen, the sales volume and sales amount of the China beverage industry increased by 0.3% and 2.5% yoy respectively in the third quarter of 2015. The beverage industry was affected by the changes of consumers behavior, and the growth market opportunities from suburban area, the Group will upgrade our products and enhance our channel coverage, with an aim to serve more consumers and bring more vitality to the beverage market.

In the third quarter of 2015, the turnover of the beverage business of the Group was US$1,638.143 million, dropped by 5.26% yoy, representing 59.28% of the Group's total turnover. The sales decline mainly due to the unstable weather and the current conservative consumption. During the period, benefited from the decline in the prices of major raw material such as PET resin, together with rationalization in production processes, the gross profit margin increased by 1.06 ppt. yoy to 34.47%. The amount of profit from the beverage business attributable to owners of the Company for the third quarter of 2015 was US$35.775 million, a decrease of 4.42% yoy. Confronted with such a severe market environment, we improved our control over distribution costs. Meanwhile the integration cost have been declined when compared to same period last year. Due to the depreciation in Renminbi and other currencies in the third quarter, the profit of the beverage business was decline.

Taking into account the structural change in the consumption demand, the beverage business will consolidate its product category so as to become more comprehensive. Operation initiatives were proactively adopted to seize market share, expand the scale of operation and effective utilization of production capacity. The following strategies were applied to meet the expectations of consumers:

1. To focus on the operation of key products such as RTD tea, bottled water and carbonated drinks, consolidate the leading position of RTD tea, strengthen the brand of bottled water, so as to expand market share from an increased sales volume.

2. To create the brand vitality and the attractiveness to consumers by cooperating with Disney and NBA.

3. To reasonably reconcile the channel inventories through a sound sales model and the operation synergy between production and sales, and to achieve the objectives of optimizing the product age at the terminals by responding rapidly to the changes in consumer demand with the spirit of S&OP.

4. To share customers, refrigerators supply chain and talent platforms through the cooperation of beverage business of Master Kong with the beverage business of Pepsi, which rapidly enhanced the servicing capabilities to the customers.

RTD Tea

According to AC Nielsen, the sales volume of the Group's RTD tea (including milk tea) accounted for 56.0% of market share, an increase of 0.1 ppt. yoy in the third quarter of 2015, and ranked first in the market. Master Kong's Iced Tea, a flagship product, entered into an official partnership agreement in the China market with NBA, an international top basketball association. Not only maintain the absolute market share, but also continue to focus on the vitality and fresh feeling of the brand, in order to sustain the absolute leading position in the market.

Bottled Water

The sales volume of the Group's bottled water for the third quarter accounted for 18.6% of the market share, and ranked second in the market. In response to the new State Labeling Law, Master Kong's bottled water successfully transferred its label from "Mineral water" to "Youyue", and cultivated brand awareness through the activity of "Youyue pleases people's hearts". Activities of superior quality were kicked off in the third quarter, and 59 plants across the country obtained the certification of international standard ISO22000. This enhanced the Group's and the brand's image as a product of quality and high reliability. Moreover, the Group became as the official designated partner in China by NBA, which will jointly build a more superior, healthier and safer living in China.

Carbonated Drinks

According to Canadean, "Pepsi-Cola" steadily its leading position in the cola type carbonated drinks market. In the third quarter of 2015, its sales volume accounted for 45.9% of market share. "Mirinda" accounted for 36.4% of market share in the fruity taste carbonated drinks. Apart from the promotion activities of various brands, which enhanced the interactive experiences and participation of consumption, such as "Pepsi Challenge" and "Pepsi Challenger Union", the event of "Mixing FUN in Happy Ways" organized under Mirinda, the alliance formed by Master Kong-Pepsi demonstrated effectiveness in sharing of resources continuously in the supply chain system and the operation system.

Juice Drinks

The sales volume of the fruit juice brand under Master Kong and the Tropicana brand under Pepsi during the third quarter accounted 21.3% of the market share in total, ranking second in the market. With a more sophisticated packaging and enhanced flavor, the sales for the Chinese style juice drinks of Master Kong recorded positive growth yoy. As to the innovative products that emphasis on health and wellness, those light juice drinks such as "Honey citron" and "Haijing lemon" from the "Light Fruit Mix" series became one of the popular brands for the youngsters nowadays.

Vitamin Drinks

For the past few years, the functional beverage category had maintained an average annual growth rate of 30%, with the performance of vitamin drinks most outstanding. By leveraging on the resources of international partners, the Group launched the "Vitamin Power" with three flavours fully covering all channels. The brand engaged Lee Minho, a Korean super star as the spokesman, which facilitated the awareness of the brand to escalate, and was well received by the consumers. "Natural Vitality", the Group's healthy vitamin beverage with natural lutein. The 550 ml Natural Vitality will be launched in the fourth quarter, through the package diversification to meet the needs of consumers at different time of drinking.

Milk Drinks / Latic Acid Bacteria Drinks

Under the milk drink category of the Group, in addition to the classical milk tea, we launched a new product "Fresh Milk Tea" under the "Quick Café" brand according to the changes in taste of consumers. The packaging adopted casual cartoon style, which is closed to university students and young professionals. The product received extensive attention once it was launched. Besides, we introduced a new LPC lactic acid bacteria beverage at room temperature jointly with Weichuan, in order to satisfy the demand of consumer for health. This product became our new growth point for the beverage business.

FINANCING

The Group continued to maintain a stable and healthy financial structure through effective control of trade receivables, trade payables, bank balances and cash and inventories during the third quarter of 2015. As at 30 September 2015, the Group's cash and bank deposits totaled US$1,666.044 million, an increase of US$482.941 million from 31 December 2014. A sufficient amount of cash holding was still maintained. As at 30 September 2015, the Group's total assets and total liabilities amounted to approximately US$9,456.871 million and US$5,260.282 million respectively. This showed increases in US$250.814 million and US$149.889 million respectively compared to 31 December 2014. The debt ratio increased by 0.11 ppt. to 55.62% compared to 31 December 2014.

As at 30 September 2015, the Group's total interest bearing borrowings decreased by US$85.772 million to US$2,542.982 million. The borrowings were mainly used for capital expenditure on production facilities and general working capital. During the period, the Group's proportion of the total borrowings denominated in foreign currencies and Renminbi were 87% and 13% respectively, as compared to 82% and 18% respectively as at 31 December 2014. The proportion between the Group's long-term borrowings and short borrowings was 54% and 46% respectively, as compared to 47% and 53% respectively as at 31 December 2014. Since August 11, 2015, the devaluation of the Renminbi and the decline of the GDP to below its yearly target of 7.0, the domestic economy has remained in doldrums. The expectation on the depreciation in Renminbi is rising gradually. Combined with the diverged trends of the interest rates between Renminbi and the US dollars and the Group itself, the Group has adjusted its financing strategy since September to increase its proportion of onshore financing and to reduce its foreign currencies financing. The Group expects to increase its Renminbi borrowing, and the proportion of Renminbi borrowing of the Group's total borrowings will be increased gradually.

On 6 August 2015, the Company issued notes with an aggregate principal amount of RMB1 billion ("Note"). The issue price of the Note was 99.656% of the principal amount of the Note. The Note shall bear interest of 4.375% per annum from 6 August 2015, which will be paid once a year on 6 August. The Note shall expire on 6 August 2018. The Note is an unsecured debt of the Company. The primary objectives for the Group to issue Reminbi debentures overseas was to swap certain bank loans with the proportion of liabilities being unchanged. The Group would also capitalize on the good credit rating to enhance the weighting of direct financing so as to secure a stable source of financing.

During the period, the depreciation in Renminbi against US dollar by 2.36%, together with the fluctuation of exchange rate in Euro against USD, brought realised/unrealised losses of US$49.479 million in the Group's income statement.

In 2014, the Group announced a voluntary retirement plan (the "Plan") for its employees as a result of an integration programme of its Pepsi beverage business. The Group has made an offer of the Plan to the affected employees who can decide to accept the offer of benefits in exchange for the termination of their employments. The termination benefits of US$37 million have been recognised as expenses during the nine-month period ended 30 September 2015. At 30 September 2015, the estimated possible obligation of termination benefits is amounted to approximately US$37 million (31 December 2014: US$70 million) which is expected to be settled between 2015 and 2016 if all the offers are accepted by qualified employees and disclosed as contingent liabilities.

The joint ventures and associates in the Pepsi beverage business of the Group (the "Joint Ventures and Associates") have, based on their own operation requirements, also implemented a compensation plan (the "Compensation Plan") which is similar to the Plan. During the nine-month period ended 30 September 2015, the Group has committed for the payment of US$22 million arising from the Compensation Plan and such payment has been recognized as expenses by the Group. At 30 September 2015, the possible amount of liabilities which arising from the Compensation Plan but not yet committed by the Group is amounted to approximately US$19 million.

Financial Ratio

	As at 30 September 2015	**As at 31 December 2014**
Finished goods turnover	9.71 Days	11.73 Days
Trade receivables turnover	9.81 Days	8.89 Days
Current ratio	0.77 Times	0.64 Times
Debt ratio (Total liabilities to total assets)	55.62%	55.51%
Gearing ratio (Net debt to equity attributable to owners of the Company)	0.28 Times	0.48 Times

HUMAN RESOURCES

As at 30 September 2015, the Group had 72,474 employees (73,556 employees at 30 June 2015).The Group always considers the fostering and development of talents as one of its major tasks, and cooperates with several domestic and overseas renowned academic institutions in cultivating senior management talent with international views.

CORPORATE SOCIAL RESPONSIBILITY

During the quarter, the Group offered help to the victims being affected by the level 6.5 earthquake occurred in Pishan County, Hetian Province, Xinjiang, those affected by typhoon "Chan Hung" at streets of Xia Guan Zhen District, Shangyu District, Shaoxing City, Zhejiang Province, those affected by typhoon "Soudelor" at Pingyang City, Zhejiang Province, and those affected by the explosion at Binhai New District at Tianjin. Supplies such as instant noodles and bottled water were provided to address the urgent needs.

On 15 September, the "Master Kong Ankang Library" in Fulin Town Third Primary School, Hanyuan County was completed. This marked the completion of all seven "Master Kong Ankang Library" donated by Master Kong Charity Foundation earthquake disaster area at Ya'an. These seven libraries are free for entry to the students of all seven secondary and primary schools.

The competition of "Keen on the New Generation - New Cuisine from Scientific Method" is a food and safety competition based on general science targeting university students. It was one of the activities during the Food Safety Week under "Food Safety on Campus". The event allowed the students to understand food safety in a more interactive and practical way. Master Kong participated the event with nearly 400 university students from more than 30 colleges and universities in Chengdu, Xi'an and Hangzhou, as well as more than 150 staff and their families from these three cities. The events will combine the most popular Running Man game perfectly with food safety knowledge and general science, which was educational and entertaining. The college students and families of staff were also arranged to visit local instant noodles and beverage factories, which provided comprehensive knowledge rationally on modern food processing and safety management. The participants then had to express food safety knowledge from creative graffiti work. In addition, the "Master Kong Food Safety and General Science Innovation Contest" was linked to the activities platform of 'Food and Drug Safety on Campus" hosted by Food Safety Week of Food Safety Office under the State Economic Information Network. Since the application notice was published in July to more than 100 colleges and universities in China, more than 2,000 pieces of works were received from September to December, Master Kong will conduct presentation by professionals with the hosting parties jointly between September and December at 10 colleges and universities. Selected works will be exhibited at 30 colleges and universities. This will gradually startup the boom on food safety and general science within the colleges and universities in China.

AWARDS AND HONORS

In the third quarter, the Group has received awards and honors as follows:

1. The "World's Most Innovative Enterprises 2015" by Forbes

2. The Best Advertiser Award by MMA Chinese Mobile Marketing Alliance

3. The "China Food Enterprise Benchmarking Golden Chopsticks Award" from the Sixth China Food Safety Senior Management Dialogue 2015

4. The "Top Ten Women Friendly Enterprises" at the Charity of Chinese Female Models Ceremony

PROSPECTS

Looking ahead into the fourth quarter of 2015, despite of the relatively significant downward moving pressure of the economy in China, the food and beverage industry is expected to maintain a slow growth trend, in particular those high end, healthy and personalized products have apparently become the dominating elements in the consumption trend. The purchase location are shifting to emerging channels such as convenience store and electric appliance vendors, whilst the consumption time and place are also shifting to indoor-biased.

In the fourth quarter, as to internal development, the Group will adhere to the principles of "cost cutting, efficiency enhancement, innovation and safety", and focus in the optimization of supply chain information and inventory management, in order to mitigate the slowdown trend in the market as a whole during the fourth quarter. Additional efforts will be devoted to seek cooperation in e-commerce, and to expand the exploration and control over modern channels. Production lines will be optimized so as to support the production of products with high end specification and those that can maximize the production capacity under the supply chain strategies in future. In the meantime, staff training will be conducted during the beverage low season. Channel system will continue to optimize and inventory control will enhance. The alliance between Master Kong-Pepsi will be further integrated in term of manpower, which will increase the planning ability of the organization. As to external development, new businesses will be further sought, which will bring innovative products to the market that can satisfy the diversified demand of the consumers. Meanwhile, new product innovation are also under negotiation with international strategic partners, which is expected to enrich the product blue print of the Group as a whole.

CORPORATE GOVERNANCE

We have, throughout the period ended 30 September 2015, complied with the code provisions of the Corporate Governance Code (the "CG 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"), except for the deviation from code A.4.1. The reason for the deviation is 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. On 1 January 2015, the Group has appointed Mr. James Chun-Hsien Wei as the Chief Executive Officer of the Group. Mr. James Wei was the former Chief Executive Officer of the Food Business Division of the Group. With the appointment of Mr. James Wei as the Chief Executive Officer, the Company has fully complied with code provision A.2.1.

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 Chief Financial Officer 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

The Remuneration and Nomination 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

Other than the Company's repurchased its own shares of 1,238,000 shares during the period for approximately US$2.219 million, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the period. All shares repurchased have been cancelled and will not be reissued or resold.

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: (Table A)

Date of grant	Number of share options granted	Exercisable period	Exercise price (HK$)	Number of share granted to Wei Ing-Chou	Number of share granted to James Chun-Hsien Wei
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	904,000
17 April 2014	12,718,500	17 April 2019 to 16 April 2024	$22.38	1,486,000	1,148,000
5 June 2015	17,054,000	5 June 2020 to 4 June 2025	$16.22	1,726,000	2,006,000

For the period of nine months ended 30 September 2015, 350,000 options had been exercised under the Share Option Scheme. Weighted average exercise price was HK$9.38 and the weighted average market closing price before the date of exercise was HK$17.49.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE OFFICER IN SHARES

As at 30 September 2015, 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

Name	Number of ordinary shares: Personal interests	Number of ordinary shares: Corporate interests (Note 1)	Percentage of the issued share capital	Number of underlying shares held under share options (Note 2)
Directors				
Wei Ing-Chou	13,242,000	1,854,827,866	33.61%	15,250,000
Wei Hong-Ming	—	1,854,827,866	33.10%	—
Chief Executive Officer				
James Chun-Hsien Wei	—	—	—	4,058,000

(b) Long position in shares of associated corporation

Name of Directors	Name of associated Corporation	Number of shares of the associated corporation (Note 3)	Percentage of the issued share capital (Note 3)	Nature of interest (Note 3)
Wei Ing-Chou	Tingyi-Asahi Beverages Holding Co. Ltd.	180,008 shares	17.10%	Corporate
Wei Hong-Ming	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 44.761% by Ho Te Investments Limited ("Ho Te"), as to approximately 30.239% by Rich Cheer Holdings Limited ("Rich Cheer"), as to 17.835% by Itochu Corp., and 6.482% by China Foods Investment Corp., a subsidiary of Asahi Group Holdings, Ltd., and as to the remaining 0.683% 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's family members (including Wei Hong-Ming) as discretionary objects;

   — Lin Li-Mien is the settlor of one of the above discretionary trusts with Lin Li-Mien and family members as discretionary objects;

   — Wei Hsu Hsiu-Mien is the settlor of one of the above discretionary trusts with Wei Hsu Hsiu-Mien and family members as discretionary objects; and

   — Wei Tu Miao is the settlor of one of the above discretionary trusts with Wei Tu Miao and family members as discretionary objects.

2. Wei Ing-Chou is also personally interested in 13,242,000 shares and holds 15,250,000 share options (details shown as Table A on page 26) 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.

   James Chun-Hsien Wei holds 4,058,000 share options (details shown as Table A on page 26) under the share option scheme of the Company passed by an extraordinary general meeting of the Company held on 20 March 2008.

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 period ended 30 September 2015 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 2015, 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 2015, 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 the 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	33.10
Ho Te Investments Limited (see note 1)^	Interest of controlled company	1,854,827,866	33.10
Rich Cheer Holdings Limited (see note 1)^	Interest of controlled company	1,854,827,866	33.10
Profit Surplus Holdings Limited (see note 1)^	Trustee of a unit trust	1,854,827,866	33.10
HSBC International Trustee Limited (see note 1)^	Trustee of discretionary trusts	1,854,827,866	33.10
Wei Chang Lu-Yun (see notes 1 & 2)^	Settlor of a discretionary trust	1,883,319,866	33.61
Lin Li-Mien (see note 1)^	Settlor of a discretionary trust	1,854,827,866	33.10
Wei Hsu Hsiu-Mien (see note 1)^	Settlor of a discretionary trust	1,854,827,866	33.10
Wei Tu Miao (see note 1)^	Settlor of a discretionary trust	1,854,827,866	33.10
Sanyo Foods Co., Ltd.	Beneficial owner	1,882,927,866	33.60

^ Note 1 and 2 are set out on page 27 and 28.

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 2015.

BOARD OF DIRECTORS

As at the date of this report, Mr. Wei Ing-Chou, Mr. Junichiro Ida, Mr. Wu Chung-Yi, Mr. Teruo Nagano, Mr. Wei Hong-Ming and Mr. Koji Shinohara 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

Shanghai, the PRC, 16 November 2015

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

* *For identification purpose only*