

康師傅控股

TINGYI (CAYMAN ISLANDS) HOLDING CORP.

康師傅控股有限公司*

2018

Third Quarterly Report

欢乐饮食 美好生活
Life+ Delicacy



Incorporated in Cayman islands with limited liability

Stock Code : 0322

*For identification purposes only

SUMMARY

RMB'000	For the three months ended 30 September			For the nine months ended 30 September		
	2018	2017	Change	2018	2017	Change
• Revenue	18,862,587	19,686,598	↓ 4.19%	49,858,731	48,254,320	↑ 3.32%
• Gross margin	33.37%	32.50%	↑ 0.87 ppt.	32.04%	30.49%	↑ 1.55 ppt.
• Gross profit of the Group	6,294,409	6,397,189	↓ 1.61%	15,974,817	14,710,682	↑ 8.59%
• EBITDA	3,441,039	3,418,807	↑ 0.65%	7,181,612	6,762,208	↑ 6.20%
• *EBITDA	3,488,497	3,418,807	↑ 2.04%	7,389,243	6,762,208	↑ 9.27%
• Profit for the period	1,905,681	1,883,326	↑ 1.19%	3,393,975	2,763,476	↑ 22.82%
• Profit attributable to owners of the Company	1,554,067	1,238,113	↑ 25.52%	2,860,545	1,938,317	↑ 47.58%
• Earnings per share (RMB cents)						
Basic	27.66	22.09	↑ 5.57 cents	50.93	34.58	↑ 16.35 cents
Diluted	27.61	22.07	↑ 5.54 cents	50.82	34.57	↑ 16.25 cents

As at 30 September 2018, cash and cash equivalents was RMB12,903.961 million, representing an increase of RMB2,619.072 million when compared to 31 December 2017. Gearing ratio was -16.44%.

* EBITDA: Excluding the effects of the income of activation on assets and the provision of impairment losses on machinery and equipment.

2018 THIRD QUARTERLY RESULTS

The Board (the “Board”) of Directors (the “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 nine months ended 30 September 2018 together with the comparative figures for the corresponding period in 2017. These unaudited condensed consolidated third quarterly financial statements have been reviewed by the audit committee of the Company (the “Audit Committee”).

CONDENSED CONSOLIDATED INCOME STATEMENT

For the Three Months and Nine Months Ended 30 September 2018

		July to September 2018	January to September 2018	July to September 2017	January to September 2017
	<i>Note</i>	<i>(Unaudited)</i> <i>RMB'000</i>	<i>(Unaudited)</i> <i>RMB'000</i>	<i>(Unaudited)</i> <i>RMB'000</i>	<i>(Unaudited)</i> <i>RMB'000</i>
Revenue	2	18,862,587	49,858,731	19,686,598	48,254,320
Cost of sales		(12,568,178)	(33,883,914)	(13,289,409)	(33,543,638)
		<hr/>	<hr/>	<hr/>	<hr/>
Gross Profit		6,294,409	15,974,817	6,397,189	14,710,682
Other revenue		89,338	253,264	71,455	188,756
Other net income (expenses)		44,906	678,828	158,372	452,534
Distribution costs		(3,035,626)	(9,202,740)	(3,230,231)	(8,888,380)
Administrative expenses		(543,974)	(1,783,184)	(644,253)	(1,705,658)
Other operating expenses		(197,870)	(1,146,437)	(216,874)	(701,588)
Finance costs	5	(105,525)	(328,040)	(90,143)	(360,513)
Share of results of associates and joint ventures		61,630	157,331	52,427	147,129
		<hr/>	<hr/>	<hr/>	<hr/>
Profit before taxation	5	2,607,288	4,603,839	2,497,942	3,842,962
Taxation	6	(701,607)	(1,209,864)	(614,616)	(1,079,486)
		<hr/>	<hr/>	<hr/>	<hr/>
Profit for the period		<u>1,905,681</u>	<u>3,393,975</u>	<u>1,883,326</u>	<u>2,763,476</u>
Profit attributable to:					
Owners of the Company		1,554,067	2,860,545	1,238,113	1,938,317
Non-controlling interests		351,614	533,430	645,213	825,159
		<hr/>	<hr/>	<hr/>	<hr/>
Profit for the period		<u>1,905,681</u>	<u>3,393,975</u>	<u>1,883,326</u>	<u>2,763,476</u>
Earnings per share	7				
Basic		<u>RMB 27.66 cents</u>	<u>RMB 50.93 cents</u>	<u>RMB 22.09 cents</u>	<u>RMB 34.58 cents</u>
Diluted		<u>RMB 27.61 cents</u>	<u>RMB 50.82 cents</u>	<u>RMB 22.07 cents</u>	<u>RMB 34.57 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Three Months and Nine Months Ended 30 September 2018

	July to September 2018	January to September 2018	July to September 2017	January to September 2017
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	1,905,681	3,393,975	1,883,326	2,763,476
Other comprehensive (loss) income				
Items that are not reclassified to profit or loss:				
Fair value change in financial assets at fair value through other comprehensive income	—	(12,397)	—	—
Items that are or may be reclassified subsequently to profit or loss:				
Exchange differences on consolidation	(277,237)	(406,757)	62,001	174,711
Fair value changes in available-for-sale financial assets	—	—	12,579	18,187
Reclassification adjustments relating to available-for-sale financial assets disposed of during the period	—	—	(969)	(37,047)
Other comprehensive (loss) income for the period	<u>(277,237)</u>	<u>(419,154)</u>	<u>73,611</u>	<u>155,851</u>
Total comprehensive income for the period	<u>1,628,444</u>	<u>2,974,821</u>	<u>1,956,937</u>	<u>2,919,327</u>
Total comprehensive income attributable to:				
Owners of the Company	1,297,091	2,474,014	1,306,511	2,090,893
Non-controlling interests	331,353	500,807	650,426	828,434
	<u>1,628,444</u>	<u>2,974,821</u>	<u>1,956,937</u>	<u>2,919,327</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

		At 30 September 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Investment properties		1,115,000	1,106,000
Property, plant and equipment		25,428,200	28,014,779
Prepaid lease payments		3,587,929	3,730,767
Intangible asset		188,784	162,936
Goodwill		97,910	97,910
Interest in associates		134,230	120,568
Interest in joint ventures		786,438	660,691
Financial assets at fair value through profit or loss		470,459	—
Financial assets at fair value through other comprehensive income		123,320	—
Available-for-sale financial assets		—	638,526
Other non-current assets		317,964	317,964
Deferred tax assets		485,287	308,010
		32,735,521	35,158,151
Current assets			
Inventories		2,467,798	2,396,941
Trade receivables	9	2,293,187	1,636,385
Tax recoverable		—	23,393
Prepayments and other receivables		3,621,208	4,599,397
Pledged bank deposits		50,604	58,312
Bank balances and cash		12,853,357	10,226,577
		21,286,154	18,941,005
Total assets		54,021,675	54,099,156

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

		At 30 September 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
	<i>Note</i>		
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	10	235,198	235,053
Share premium		662,373	611,736
Reserves		19,141,480	17,565,290
Total capital and reserves attributable to owners of the Company		<u>20,039,051</u>	<u>18,412,079</u>
Non-controlling interests		4,257,989	3,881,965
Total equity		<u>24,297,040</u>	<u>22,294,044</u>
Non-current liabilities			
Financial liabilities at fair value through profit or loss		—	5,258
Long-term interest-bearing borrowings	11	6,535,595	6,608,953
Other non-current liabilities		—	40,000
Employee benefit obligations		81,093	101,226
Deferred tax liabilities		990,697	1,070,026
		<u>7,607,385</u>	<u>7,825,463</u>
Current liabilities			
Trade payables	12	8,781,701	7,119,423
Other payables and deposits received		9,065,128	7,417,032
Current portion of interest-bearing borrowings	11	3,073,397	7,775,320
Financial liabilities at fair value through profit or loss		5,258	37,448
Advance payments from customers		583,458	1,284,590
Taxation		608,308	345,836
		<u>22,117,250</u>	<u>23,979,649</u>
Total liabilities		<u>29,724,635</u>	<u>31,805,112</u>
Total equity and liabilities		<u>54,021,675</u>	<u>54,099,156</u>
Net current assets (liabilities)		<u>(831,096)</u>	<u>(5,038,644)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Nine Months Ended 30 September 2018

	Attributable to owners of the Company			Total capital and reserves (Unaudited) RMB'000	Non- controlling interests (Unaudited) RMB'000	Total Equity (Unaudited) RMB'000
	Issued capital (Unaudited) RMB'000	Share premium (Unaudited) RMB'000	Reserves (Unaudited) RMB'000			
At 1 January 2017	234,767	523,278	17,365,495	18,123,540	5,977,039	24,100,579
Profit for the period	—	—	1,938,317	1,938,317	825,159	2,763,476
Other comprehensive income (loss):						
Exchange differences on consolidation	—	—	171,436	171,436	3,275	174,711
Fair value changes in available-for-sale financial assets	—	—	18,187	18,187	—	18,187
Reclassification adjustments relating to available-for-sale financial assets disposed of during the period	—	—	(37,047)	(37,047)	—	(37,047)
Total other comprehensive income	—	—	152,576	152,576	3,275	155,851
Total comprehensive income for the period	—	—	2,090,893	2,090,893	828,434	2,919,327
Transactions with owners: Contributions and distribution						
Equity settled share-based transactions	—	—	45,395	45,395	—	45,395
Shares issued under share option scheme	37	11,594	(2,840)	8,791	—	8,791
Put options written to a non-controlling shareholder	—	—	(3,989,293)	(3,989,293)	—	(3,989,293)
2016 final dividend approved and paid	—	—	(580,849)	(580,849)	(115,026)	(695,875)
	37	11,594	(4,527,587)	(4,515,956)	(115,026)	(4,630,982)
Change in ownership interests						
Non-controlling interests arising from business combination	—	—	—	—	171,560	171,560
Change in ownership interest in subsidiaries without change in control	—	—	(110,206)	(110,206)	10,206	(100,000)
	—	—	(110,206)	(110,206)	181,766	71,560
Total transactions with owners	37	11,594	(4,637,793)	(4,626,162)	66,740	(4,559,422)
At 30 September 2017	234,804	534,872	14,818,595	15,588,271	6,872,213	22,460,484

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Nine Months Ended 30 September 2018

	Attributable to owners of the Company			Total capital and reserves (Unaudited) RMB'000	Non- controlling interests (Unaudited) RMB'000	Total Equity (Unaudited) RMB'000
	Issued capital (Unaudited) RMB'000	Share premium (Unaudited) RMB'000	Reserves (Unaudited) RMB'000			
At 1 January 2018	235,053	611,736	17,565,290	18,412,079	3,881,965	22,294,044
Profit for the period	—	—	2,860,545	2,860,545	533,430	3,393,975
Other comprehensive loss:						
Exchange differences on consolidation	—	—	(374,134)	(374,134)	(32,623)	(406,757)
Fair value changes in financial assets at fair value through other comprehensive income	—	—	(12,397)	(12,397)	—	(12,397)
Total other comprehensive loss	—	—	(386,531)	(386,531)	(32,623)	(419,154)
Total comprehensive income for the period	—	—	2,474,014	2,474,014	500,807	2,974,821
Transactions with owners:						
<i>Contributions and distribution</i>						
Equity settled share-based transactions	—	—	24,267	24,267	—	24,267
Shares issued under share option scheme	145	50,637	(12,552)	38,230	—	38,230
2017 final dividend approved and paid	—	—	(909,539)	(909,539)	(124,783)	(1,034,322)
Total transactions with owners	145	50,637	(897,824)	(847,042)	(124,783)	(971,825)
At 30 September 2018	235,198	662,373	19,141,480	20,039,051	4,257,989	24,297,040

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Nine Months Ended 30 September 2018

	January to September 2018 (Unaudited) RMB'000	January to September 2017 (Unaudited) RMB'000
OPERATING ACTIVITIES		
Cash generated from operations	8,955,869	10,604,728
The People's Republic of China ("PRC") enterprise income tax paid	(1,176,192)	(865,166)
Interest paid	(326,284)	(351,514)
Net cash from operating activities	<u>7,453,393</u>	<u>9,388,048</u>
INVESTING ACTIVITIES		
Interest received	253,264	188,756
Purchase of debt investment	—	(900,000)
Redemption of debt investment	200,000	—
Purchase of property, plant and equipment	(976,758)	(672,303)
Prepaid lease payments	(24,433)	(11,095)
Net cash inflow on acquisition of a subsidiary	—	99,194
Net cash inflow on disposal of subsidiaries	435,438	663,128
Net movement of amounts due from former subsidiaries	1,318,903	—
Others	178,939	221,487
Net cash from (used in) investing activities	<u>1,380,353</u>	<u>(410,833)</u>
FINANCING ACTIVITIES		
Dividend paid to owners of the Company	(928,370)	(598,505)
Dividends paid to non-controlling interests	(126,437)	(109,902)
Proceeds from interest-bearing borrowings	2,577,742	4,752,527
Repayments of interest-bearing borrowings	(7,821,430)	(9,472,896)
Others	38,230	(7,809)
Net cash used in financing activities	<u>(6,260,265)</u>	<u>(5,436,585)</u>
Net increase in cash and cash equivalents	2,578,481	3,540,630
Cash and cash equivalents at 1 January	10,284,889	10,231,812
Effect on exchange rate changes	40,591	(20,939)
Cash and cash equivalents at 30 September	<u><u>12,903,961</u></u>	<u><u>13,751,503</u></u>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	12,853,357	13,598,699
Pledged bank deposits	50,604	152,804
	<u><u>12,903,961</u></u>	<u><u>13,751,503</u></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 2017 annual financial statements. The accounting policies adopted in preparing the condensed consolidated third quarterly financial statements for the nine months ended 30 September 2018 are consistent with those in the preparation of the Group's annual financial statements for the year ended 31 December 2017, 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 2018 as described below.

Annual improvements to HKFRSs	2014–2016 Cycle: HKFRS 1 and HKAS 28
Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

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 period and prior years except for HKFRS 9 and HKFRS 15.

HKFRS 9: Financial instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt investments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "Financial Instruments: Recognition and Measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

1. Basis of preparation and accounting policies (continued)

On 1 January 2018, the Directors of the Company has assessed which business models apply to the financial assets and liabilities held by the Group at the date of initial application of HKFRS 9 and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

	Note	Measurement category		Carrying amount	
		Original (HKAS 39)	New (HKFRS 9)	Original RMB'000	New RMB'000
Financial assets					
Investment funds	(a)	Available for sale, at fair value	Fair value through profit or loss ("FVPL")	504,359	504,359
Equity securities		Available for sale, at fair value	Fair value through other comprehensive income ("FVOCI")	110,722	110,722
Equity securities		Available for sale, at cost	FVOCI	21,971	21,971
Equity securities		Available for sale, at cost	FVPL	1,474	1,474
Trade receivables	(b)	Amortised cost	Amortised cost	1,636,385	1,636,385
Prepayment and other receivables	(b)	Amortised cost	Amortised cost	4,599,397	4,599,397
Cash and cash equivalents	(b)	Amortised cost	Amortised cost	10,284,889	10,284,889
Financial liabilities					
Contingent consideration payable		FVPL	FVPL	5,258	5,258
Derivatives not designated as hedging instruments		FVPL	FVPL	37,448	37,448

Note a: The accumulated investment revaluation reserve of RMB148,150,000 at 1 January 2018 relevant to these investments have been reclassified to retained profits.

Note b: Impairment based on expected credit loss model on these financial assets has no significant financial impacts.

HKFRS 15: Revenue from Contracts with Customers

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The adoption of HKFRS 15 did not have any significant impact on recognition of revenue. However, the application of HKFRS 15 results in the additional disclosures in note 2 to the condensed consolidated financial statements.

2. Revenue

The Group has recognised the following amounts relating to revenue in profit or loss:

	<i>Note</i>	January to September 2018 (Unaudited) RMB'000	January to September 2017 (Unaudited) RMB'000
Revenue from contracts with customers	2(a)	49,801,519	48,203,465
Revenue from other sources - Rental income from investment properties		57,212	50,855
		<u>49,858,731</u>	<u>48,254,320</u>

2(a). Disaggregation of revenue

	For the Nine Months ended 30 September 2018				
	Instant noodles (Unaudited) RMB'000	Beverages (Unaudited) RMB'000	Instant food (Unaudited) RMB'000	Others (Unaudited) RMB'000	Total (Unaudited) RMB'000
Major products and services					
Sales on instant noodles	17,885,997	—	—	—	17,885,997
Sales on beverages	—	30,896,916	—	—	30,896,916
Sales on bakery	—	—	577,868	—	577,868
Transportation	—	—	—	934,278	934,278
Others	—	—	—	581,055	581,055
	<u>17,885,997</u>	<u>30,896,916</u>	<u>577,868</u>	<u>1,515,333</u>	<u>50,876,114</u>
Less: Elimination	(497)	(1,543)	(270)	(1,072,285)	(1,074,595)
	<u>17,885,500</u>	<u>30,895,373</u>	<u>577,598</u>	<u>443,048</u>	<u>49,801,519</u>
Timing of revenue recognition:					
Products transferred at a point in time	<u>17,885,500</u>	<u>30,895,373</u>	<u>577,598</u>	<u>443,048</u>	<u>49,801,519</u>
	For the Nine Months ended 30 September 2017				
	Instant noodles (Unaudited) RMB'000	Beverages (Unaudited) RMB'000	Instant food (Unaudited) RMB'000	Others (Unaudited) RMB'000	Total (Unaudited) RMB'000
Major products and services					
Sales on instant noodles	16,979,138	—	—	—	16,979,138
Sales on beverages	—	30,105,238	—	—	30,105,238
Sales on bakery	—	—	628,538	—	628,538
Transportation	—	—	—	706,160	706,160
Others	—	—	—	572,178	572,178
	<u>16,979,138</u>	<u>30,105,238</u>	<u>628,538</u>	<u>1,278,338</u>	<u>48,991,252</u>
Less: Elimination	(497)	(1,259)	(259)	(785,772)	(787,787)
	<u>16,978,641</u>	<u>30,103,979</u>	<u>628,279</u>	<u>492,566</u>	<u>48,203,465</u>
Timing of revenue recognition:					
Products transferred at a point in time	<u>16,978,641</u>	<u>30,103,979</u>	<u>628,279</u>	<u>492,566</u>	<u>48,203,465</u>

3. Segment information

Segment results

	For the Nine Months ended 30 September 2018					
	Instant noodles (Unaudited) RMB'000	Beverages (Unaudited) RMB'000	Instant food (Unaudited) RMB'000	Others (Unaudited) RMB'000	Inter-segment elimination (Unaudited) RMB'000	Total (Unaudited) RMB'000
Revenue						
Revenue from external customers	17,885,500	30,895,373	577,598	443,048	—	49,801,519
Revenue from other sources	—	—	—	57,212	—	57,212
Inter-segment revenue	497	1,543	270	1,147,648	(1,149,958)	—
Segment revenue	<u>17,885,997</u>	<u>30,896,916</u>	<u>577,868</u>	<u>1,647,908</u>	<u>(1,149,958)</u>	<u>49,858,731</u>
Segment results after finance cost						
Share of results of associates and joint ventures	695	156,341	295	—	—	157,331
Unallocated income, net	—	—	—	2,396	—	2,396
Profit (loss) before taxation	<u>2,025,137</u>	<u>2,301,830</u>	<u>(9,567)</u>	<u>285,685</u>	<u>754</u>	<u>4,603,839</u>
Taxation	(643,382)	(527,160)	(4,300)	(35,022)	—	(1,209,864)
Profit (loss) for the period	<u><u>1,381,755</u></u>	<u><u>1,774,670</u></u>	<u><u>(13,867)</u></u>	<u><u>250,663</u></u>	<u><u>754</u></u>	<u><u>3,393,975</u></u>

	For the Nine Months ended 30 September 2017					
	Instant noodles (Unaudited) RMB'000	Beverages (Unaudited) RMB'000	Instant food (Unaudited) RMB'000	Others (Unaudited) RMB'000	Inter-segment elimination (Unaudited) RMB'000	Total (Unaudited) RMB'000
Revenue						
Revenue from external customers	16,978,641	30,103,979	628,279	492,566	—	48,203,465
Revenue from other sources	—	—	—	50,855	—	50,855
Inter-segment revenue	497	1,259	259	860,303	(862,318)	—
Segment revenue	<u>16,979,138</u>	<u>30,105,238</u>	<u>628,538</u>	<u>1,403,724</u>	<u>(862,318)</u>	<u>48,254,320</u>
Segment results after finance cost						
Share of results of associates and joint ventures	—	150,615	(3,486)	—	—	147,129
Unallocated income, net	—	—	—	27,464	—	27,464
Profit (loss) before taxation	<u>1,632,262</u>	<u>2,246,500</u>	<u>(8,843)</u>	<u>(36,545)</u>	<u>9,588</u>	<u>3,842,962</u>
Taxation	(473,789)	(576,969)	(2,069)	(26,659)	—	(1,079,486)
Profit (loss) for the period	<u><u>1,158,473</u></u>	<u><u>1,669,531</u></u>	<u><u>(10,912)</u></u>	<u><u>(63,204)</u></u>	<u><u>9,588</u></u>	<u><u>2,763,476</u></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 the net profit (loss) for the period and the profit (loss) before taxation, share of results of associates and joint ventures and unallocated income (expenses), net.

3. Segment information (continued)

Segment assets and liabilities

	At 30 September 2018					Total (Unaudited) RMB'000
	Instant noodles (Unaudited) RMB'000	Beverages (Unaudited) RMB'000	Instant food (Unaudited) RMB'000	Others (Unaudited) RMB'000	Inter-segment elimination (Unaudited) RMB'000	
	Segment assets	19,125,908	28,399,015	760,502	4,967,234	
Interest in associates	—	134,230	—	—	—	134,230
Interest in joint ventures	883	737,855	47,700	—	—	786,438
Unallocated assets						593,779
Total assets						<u>54,021,675</u>
Segment liabilities	8,156,968	14,876,907	247,739	7,692,894	(1,330,966)	29,643,542
Unallocated liabilities						81,093
Total liabilities						<u>29,724,635</u>

Segment assets include all assets with the exception of interest in associates and joint ventures and unallocated assets which include investment funds and equity securities recognised in financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income. Segment liabilities include all liabilities with the exception of employee benefit obligations.

	At 31 December 2017					Total (Audited) RMB'000
	Instant noodles (Audited) RMB'000	Beverages (Audited) RMB'000	Instant food (Audited) RMB'000	Others (Audited) RMB'000	Inter-segment elimination (Audited) RMB'000	
	Segment assets	19,867,771	28,311,010	886,653	8,267,381	
Interest in associates	—	119,320	1,248	—	—	120,568
Interest in joint ventures	188	613,027	47,476	—	—	660,691
Unallocated assets						638,526
Total assets						<u>54,099,156</u>
Segment liabilities	8,637,330	15,878,922	357,836	11,896,646	(5,066,848)	31,703,886
Unallocated liabilities						101,226
Total liabilities						<u>31,805,112</u>

Segment assets include all assets with the exception of interest in associates and joint ventures and unallocated assets which include available-for-sale financial assets. Segment liabilities include all liabilities with the exception of employee benefit obligations.

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 2018 (Unaudited) RMB'000	January to September 2018 (Unaudited) RMB'000	July to September 2017 (Unaudited) RMB'000	January to September 2017 (Unaudited) RMB'000
Finance costs				
Interest on bank and other borrowings wholly repayable within five years	97,307	302,871	80,495	332,248
Interest on bank and other borrowings wholly repayable over five years	8,218	25,169	9,648	28,265
	<u>105,525</u>	<u>328,040</u>	<u>90,143</u>	<u>360,513</u>
Other items				
Depreciation	790,036	2,420,485	876,640	2,672,049
Amortisation	27,528	82,512	25,537	75,440
Impairment loss of property, plant and equipment (included in other operating expense)	47,457	622,706	50,114	123,966
	<u>47,457</u>	<u>622,706</u>	<u>50,114</u>	<u>123,966</u>

6. Taxation

	July to September 2018 (Unaudited) RMB'000	January to September 2018 (Unaudited) RMB'000	July to September 2017 (Unaudited) RMB'000	January to September 2017 (Unaudited) RMB'000
Current tax – the PRC Enterprise income tax				
Current period	504,838	1,177,109	482,413	895,030
Deferred taxation				
Origination and reversal of temporary differences, net	85,629	(148,359)	23,433	24,612
Effect of withholding tax on the distributable earnings of the Group's PRC subsidiaries	111,140	181,114	108,770	159,844
	<u>111,140</u>	<u>181,114</u>	<u>108,770</u>	<u>159,844</u>
Total tax charge for the period	<u>701,607</u>	<u>1,209,864</u>	<u>614,616</u>	<u>1,079,486</u>

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 30 September 2018 and 2017.

The applicable PRC enterprise income tax for the PRC subsidiaries is at the statutory rate of 25% (2017: 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 ("Western Region") 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% (2017: 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 2018 (Unaudited)	January to September 2018 (Unaudited)	July to September 2017 (Unaudited)	January to September 2017 (Unaudited)
Profit attributable to ordinary shareholders (RMB'000)	1,554,067	2,860,545	1,238,113	1,938,317
Weighted average number of ordinary shares ('000)	5,617,778	5,617,007	5,605,010	5,604,772
Basic earnings per share (RMB cents)	27.66	50.93	22.09	34.58

b) Diluted earnings per share

	July to September 2018 (Unaudited)	January to September 2018 (Unaudited)	July to September 2017 (Unaudited)	January to September 2017 (Unaudited)
Profit attributable to ordinary shareholders (RMB'000)	1,554,067	2,860,545	1,238,113	1,938,317
<i>Weighted average number of ordinary shares (diluted) ('000)</i>				
Weighted average number of ordinary shares	5,617,778	5,617,007	5,605,010	5,604,772
Effect of the Company's share option scheme	10,909	11,242	4,800	2,863
Weighted average number of ordinary shares for the purpose of calculated diluted earnings per share	5,628,687	5,628,249	5,609,810	5,607,635
Diluted earnings per share (RMB cents)	27.61	50.82	22.07	34.57

8. Dividend

The Board of Directors does not recommend the payment of a third quarterly dividend for the nine months ended 30 September 2018 (2017: 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 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
0 - 90 days	2,190,428	1,517,678
Over 90 days	102,759	118,707
	2,293,187	1,636,385

10. Issued capital

	At 30 September 2018 (Unaudited)			At 31 December 2017 (Audited)		
	No. of shares	US\$'000	Equivalent to RMB'000	No. of shares	US\$'000	Equivalent to RMB'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	5,613,229,360	28,067	235,053	5,604,501,360	28,023	234,767
Shares issued under share option scheme	4,549,000	23	145	8,728,000	44	286
At the end of the reporting period	5,617,778,360	28,090	235,198	5,613,229,360	28,067	235,053

During the reporting period, 4,549,000 options were exercised to subscribe for 4,549,000 ordinary shares of the Company at a total consideration of RMB38,230,000 of which RMB145,000 was credited to share capital and the balance of RMB38,085,000 was credited to the share premium account. In addition, RMB12,552,000 has been transferred from the share-based payment reserve to the share premium account.

11. Interest-bearing borrowings

	At 30 September 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
The maturity of the interest bearing borrowings:		
Within one year	3,073,397	7,775,320
In the second year	3,821,983	3,506,766
In the third year to the fifth years, inclusive	2,305,440	2,635,937
Over five years	408,172	466,250
	9,608,992	14,384,273
Portion classified as current liabilities	(3,073,397)	(7,775,320)
Non-current portion	6,535,595	6,608,953

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

During the nine months period ended 30 September 2018, the notes issued on 6 August 2015 with an aggregate principal amount of RMB1,000,000,000 (the "RMB Notes") was fully repaid at the date of the maturity.

During the nine months ended 30 September 2018, the Group obtained bank loans in aggregate amount of RMB2,577,742,000 (2017: RMB4,752,527,000) and recognised amortised interest of the RMB Notes and other unsecured notes for an aggregate amount of RMB1,756,000 (2017: RMB8,998,000). Repayments of bank loans amounting to RMB7,821,430,000 (2017: RMB9,472,896,000) 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 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
0 - 90 days	8,084,180	6,335,339
Over 90 days	697,521	784,084
	8,781,701	7,119,423

13. Disposal of subsidiaries

During the nine months period ended 30 September 2018, the Group entered into two sales and purchase agreements with two independent third parties to sell the entire equity interests in two wholly-owned subsidiaries. The disposal of a subsidiary which principally engaged in leasing and property management at a consideration of RMB307,173,000 was completed in March 2018. The disposal of another subsidiary which principally engaged in manufacture and sales of beverages at a consideration of RMB155,000,000 was completed in September 2018. The carrying values of these two subsidiaries being disposed at the date of disposal was in aggregate of approximately RMB74,329,000. As a result, the net surplus on the disposal of subsidiaries of approximately RMB387,844,000 was recognized in profit or loss and recorded as other net income (expense).

14. 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 2018 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 2018 (Unaudited)				At 31 December 2017 (Audited)			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets								
<i>Available-for-sale financial assets</i>								
- Investment funds	-	-	-	-	-	-	504,359	504,359
- Equity securities	-	-	-	-	-	-	110,722	110,722
<i>Financial assets at fair value through profit or loss</i>								
- Investment funds	-	-	469,866	469,866	-	-	-	-
- Equity securities	593	-	-	593	-	-	-	-
<i>Financial assets at fair value through other comprehensive income</i>								
- Equity securities	-	-	123,320	123,320	-	-	-	-
	<u>593</u>	<u>-</u>	<u>593,186</u>	<u>593,779</u>	<u>-</u>	<u>-</u>	<u>615,081</u>	<u>615,081</u>
Liabilities								
<i>Financial liabilities at fair value through profit or loss</i>								
- Contingent consideration payable	-	-	5,258	5,258	-	-	5,258	5,258
- Derivatives not designated as hedging instruments	-	-	-	-	-	37,448	-	37,448
	<u>-</u>	<u>-</u>	<u>5,258</u>	<u>5,258</u>	<u>-</u>	<u>37,448</u>	<u>5,258</u>	<u>42,706</u>

During the nine months ended 30 September 2018 and 2017, 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.

14. 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 2018 and 2017 are shown as follows:

	30 September 2018 (Unaudited)			30 September 2017 (Unaudited)		
	Assets		Liabilities	Assets		Liabilities
	Investment Funds	Equity securities	Contingent consideration payable	Investment Funds	Equity securities	Contingent consideration payable
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the period	504,359	110,722	(5,258)	487,054	130,757	—
Reclassification under adoption of HKFRS 9	—	21,971	—	—	—	—
Purchases	2,621	—	—	—	—	—
Disposals	(67,395)	(3,586)	—	(99,511)	—	—
At completion day of acquisition	—	—	—	—	—	(5,690)
Total gains or (losses) recognised:						
– in profit or loss	5,320	—	—	—	—	—
– in other comprehensive income	—	(12,397)	—	18,187	—	—
Exchange differences	24,961	6,610	—	(17,565)	(4,980)	—
At the end of the reporting period	469,866	123,320	(5,258)	388,165	125,777	(5,690)
Total gains or (losses) for the period reclassified from other comprehensive income on disposals	—	—	—	37,047	—	—
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	(1,476)	—	—	—	—	—

14. Fair Value Measurements (continued)**(a) Financial assets and liabilities carried at fair value (continued)****Valuation techniques and significant inputs used in Level 2 and Level 3 fair value measurement****(i) Financial assets at fair value through profit or loss: Investment funds**

As at 30 September 2018, the Group's financial assets at fair value through profit or loss comprise four investment funds which are categorised as Level 3 (31 December 2017: four Level 3) of the fair value hierarchy.

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 three (31 December 2017: three) 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 is estimated with reference to quoted market price, while the fair value of unlisted investments which is 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 estimating the fair value of unlisted investments, assumptions are used 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.

(ii) Financial assets at fair value through other comprehensive income: Equity securities

The fair value of the equity securities in Level 3 are mainly 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) Financial liabilities at fair value through profit or loss – Contingent consideration payable

The fair value of contingent consideration payable in Level 3 is determined by using the income approach based on the expected payment amounts and their associated probabilities. When appropriate, it is discounted to present value. In the opinion of the directors, changing one or more of the inputs to reasonably possible alternative assumptions would not change the fair value significantly.

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 have no significant difference with those used in the Group's annual financial statements for the year ended 31 December 2017.

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 have no significant difference with those in the Group's annual financial statements for the year ended 31 December 2017, 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 2018 comparing to 31 December 2017.

14. Fair Value Measurements (continued)

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

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.

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 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 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 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. 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 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, no other financial assets and liabilities of the Group are carried at amount materially different from their fair values as at 30 September 2018 upon the RMB Notes have matured during the period as described in the note 11 to the condensed consolidated financial statements.

15. Capital expenditure commitments

	At 30 September 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Contracted but not provided for:		
Expenditures on investment properties and property, plant and equipment	1,033,812	927,244
Investment funds	74,417	106,258
	1,108,229	1,033,502

16. 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 2018 (Unaudited) RMB'000	January to September 2018 (Unaudited) RMB'000	July to September 2017 (Unaudited) RMB'000	January to September 2017 (Unaudited) RMB'000
(a) Sales of goods to:				
Companies controlled by a substantial shareholder of the Company	49,342	114,147	53,558	104,529
Associates	11,935	32,179	35,732	98,817
Joint ventures	104,664	231,286	112,638	257,507
	165,941	477,612	201,928	460,853
(b) Purchases of goods from:				
A group of companies jointly controlled by the Company's Directors and their dependent	1,524,192	3,966,137	1,500,842	3,751,748
Joint ventures	15,985	54,118	17,103	31,179
	1,540,177	4,020,255	1,517,945	3,782,927

17. Approval of third quarterly financial statements

The third quarterly financial statements of 2018 were approved by the Board of Directors on 26 November 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Macro and Industry Environment

China's economy stayed generally stable with changes took place in the third quarter of 2018. GDP grew by 6.5% yoy, representing a decrease in growth rate. The income and consumption expenditure of national residents continued to grow steadily, while the growth rate of both rural income and consumption expenditure was higher than that of urban areas. Apart from consumption channel penetration, the consumption structure also continued to upgrade and optimize.

The instant noodle and beverage industry in where the Group operates continued to maintain a growth despite the growth rate was slowed down yoy. The trend of sales channels fragmentation continued, while traditional business continued to be under pressure, and e-commerce in rural area, catering market and new retail channels etc. maintained rapid growth. Surging prices of certain raw materials, significantly fluctuated international financial markets, Sino-US trade frictions and exchange rate changes, etc. still pose challenges for the Group's development.

BUSINESS REVIEW

In the third quarter, under the guidance of the established strategy of "consolidation, innovation and development", the Group continued to undertake product structure adjustment, consolidate the mass consumer market with core products and gradually lay out the high-end markets. For the instant noodle business, the mid-to-low priced noodles are in the process of upgrade, and the high-priced noodles had a temporarily slowed down growth rate. The beverage business was affected by the price adjustment which brought a negative impact on the short to medium term result. Facing the challenging industry environment, the Group continued to promote supply chain reforms, optimizing supply chain layout and capacity allocation through light asset and asset activation, continued optimizing transformation and upgrade, and enhanced future operation efficiency by means of process optimization, IT system and share service centers construction. Meanwhile, for its long-term presence in the China market apart from exploring diversified channels, the Group strengthened brand building through a number of IP cooperation, sport marketing and cooperation with China's aerospace industry.

In the third quarter of 2018, although the Group's revenue decreased by 4.19% yoy to RMB18.863 billion, profit attributable to owners of the Company increased by 25.52% yoy to RMB 1.554 billion, earnings per share increased by RMB5.57 cents to RMB27.66 cents. During the period, prices from key raw material such as PET resin and paper material maintained at high level, the Group continued to modify product mix, and thanked for price adjustment and product upgrade, the Group's gross margin increased by 0.87 ppt. to 33.37% yoy. Distribution costs represented 16.09% of the revenue for the period and decreased by 0.32 ppt. yoy. EBITDA of the Group increased by 0.65% to RMB3.441 billion yoy.

INSTANT NOODLE BUSINESS

According to the data from Nielsen, in the first three quarters of 2018, overall sales volume increased by 3.3% yoy while sales amount grew by 8.0% yoy in the instant noodle market. During the period, the market shares of Master Kong in terms of sales volume and sales amount were 43.6% and 48.6%, respectively, maintained No.1 position.

In the third quarter of 2018, the Group's revenue from instant noodle business was RMB6.752 billion, which grew by 0.66% yoy, accounting for 35.79% of the total revenue of the Group. During the period, the Group has modified product mix, promoted product upgrade, and thanked for price adjustments in the previous period, gross margin of instant noodles increased by 1.11 ppt. to 32.05%. Benefited from the sales growth, improvement of gross margin and decline on distribution costs, profit attributable to owners of the Company in the overall instant noodle business increased by 14.15% to RMB715 million.

In the third quarter, the Group continued to implement the multi-price product strategy for the instant noodle business. It consolidated the high-price noodle market, laid out the premium noodle market, and created various consumption scenarios to meet the demand of different level of consumers and consumer health requirement while achieving sales growth yoy. During the period, the Group enhanced product categories and brand image through sport marketing such as sponsoring Marathon events, cooperation with the aerospace industry as well as IP cooperation, and continued to lead the sustainable development of the industry. While precisely controlling capital expenditures, the Group optimized asset allocation and production layout and further promoted production line automation.

High-priced Noodles

High-priced noodles consolidated core products and met different consumption scenarios with products of diversified specifications, together with IP cooperation and sport marketing to attract young families and young consumers and achieve sales growth yoy. “Roasted Beef Noodle” also created sport consumption scenarios and enhanced the brand’s healthy image through sponsoring of Marathon events, apart from creating family consumption scenarios through media advertising. “Pickled Mustard” continued to promote IP cooperation with “Kung Fu Panda” and recorded sustained growth in sales. Spicy series products such as the “Hot/Stir-fired/Pickled Pepper/Spicy” series seek to rejuvenate the brand image and attract young consumers. “Rattan Pepper Soy Sauce Chicken Noodle”, a new product of the Rattan Pepper series, apart from multiple peppers, has sauce package added with scallion oil and oyster sauce to enhance the favor and enrich the taste layers to meet the needs of customers.

Premium Noodles /Innovative Products

We continued to strengthen premium product operation with the premium soup series to adapt to the demand of the premium market for nutrition and health, and attracted middle class and young metropolitan consumers through new products, sport marketing, media marketing and e-commerce cooperation. “Pork Rib”, on the basis of online marketing, specially launched a limited-edition e-commerce package to promote sales growth. The new product “Fresh Vegetable Noodle”, launched in August, attracted urban consumers and met their demand for health and quality of life.

Mid-end Noodles/Snack Noodles

The mid-end noodles continued the slight upgrade, and the “Jin Shuang Series” met the affordable consumer demand at a moderate price to ensure a leading market share.

The snack noodles, “Xiang Bao Cui”, focused on market with price range within RMB1.0, while the new product “Cheese Turkey” launched, which is rich in cheese flavor and tastes sweet and spicy, is favored by young consumers and recorded continuous growth in sales.

BEVERAGE BUSINESS

According to the data from Nielsen, in the first three quarters of 2018, overall sales volume grew by 2.4% while sales amount grew by 4.3% yoy in China beverage industry. In the first three quarters, the ready-to-drink(RTD) tea (including milk tea) of the Group’s beverage business accounted for a 47.6% market share in terms of sales volume and continued to secure the top ranking position in the market. The Group’s fruit juice brands accounted for a market share of 15.9%, ranking No.2 in the market. Market share for bottled water in the first nine months was 9.3%, ranking No.3 in the market. According to the data from a third party research company, in terms of sales volume, the overall market share of Pepsi carbonated drinks was 32.8% in the first three quarters, ranking No.2 in the market. The market share of Pepsi Cola was 49.2% in the cola carbonated drinks market, ranking No.1 in the market.

In the third quarter of 2018, the overall revenue of the beverage business was RMB11.749 billion, decreased by 6.52% yoy, accounting for 62.29% of the Group’s total revenue. During the period, gross margin of the beverage business increased by 0.68 ppt. to 34.13% yoy, mainly due to product upgrade and price adjustments on certain products. Benefited from gross margin improvement during the period, the profit attributable to shareholders of the beverage business in the third quarter of 2018 was RMB 889 million, grew by 28.50% yoy.

The beverage business continued to promote product structure adjustments with focus on core product categories and products to meet the mass consumption demand. During the period, the beverage business actively expanded diversified channels by driving the development of indoor channels apart from consolidating outdoor channels. It boosted brand building through IP cooperation, etc., to set the layout of festival sales and sales of winter hot drinks for the fourth quarter. The beverage business also continued to push forward asset activation and light assets, optimized the supply chain layout, and integrated supply chain resources to enhance synergies.

RTD Tea

RTD tea consolidated the mass consumption market with core products, met different consumption scenarios with products of different specifications, and continued to attract young consumers and household consumer groups through IP cooperation, sport marketing and scenario marketing. “Master Kong Ice Tea” cooperated with NBA China Game to launch sport marketing, and continued to promote IP cooperation such as “Disney” and “Produce 101” to achieve sales growth. “Green Tea” sparing launched IP cooperation with the TV series “Fights Break Sphere (鬥破蒼穹)” and Tencent’s animation “Beryl and Sapphire(小綠和小藍)” to attract secondary consumer groups. The “Jasmine Series” continued its romantic scenario marketing to attract young consumers. The Milk Tea Series achieved sales growth by launching small package products to meet the demand for portable products and expand consumer scenarios.

Bottled Water

The bottled water business, affected by the price increase strategy initiated in the second quarter, was still in the process of product structure adjustment during the period. However, the Group still actively met the demands of different consumption scenarios with multiple specifications, and launched IP cooperation to enhance the brand image during the period. “Master Kong bottled drinking water” launched the “Boonie Bears (熊出沒)” IP cooperation to spread the reassuring quality of water produced by the “eight processes with national patents” to attract young people and young families. “Youyue” attracts white-collar consumer groups with its NSF-certified-internationally high quality. The natural mineral water, “Han Yang Quan”, attracted high-end consumer groups with high quality and cultural attributes, and brought a Chinese style to the world by joining hands with the “Tmall China Cool (天貓國潮行動)” during the New York Fashion Week to establish a high-end brand image.

Carbonated Drinks

Carbonated drinks promoted all-channel construction with products of multiple specifications and achieved high growth in sales again by enhancing product penetration rate, launching new products, launching IP cooperation and firmly grasping high seasons in lower-tier cities. “Pepsi Cola” met different consumption scenarios with different specifications, and launched the “Pepsi Concept Store (潮玩蓋念店)”, a marketing campaign, to achieve stable sales growth. “Mirinda”, focused on the “Mess with Your Senses (果然會玩)” brand concept, attracted core consumers and achieved sales growth through animation IP cooperation and marketing activities in school seasons. “7 up” launched the “7 up Low Sugar” to meet the trend of healthiness and carried out catering channel marketing to strengthen the penetration rate of products in catering channels for effective expansion of consumption scenarios.

Juice Drinks

After price increase in the first quarter, the beverage business adhered to the established strategy, consolidated the leading position of Chinese juice and promote the sales of western style juice products through creating consumption scenarios, expanding catering channels and media marketing. Chinese style juice drink “Rock Candy Pear”, targeting at student groups, cooperated with the popular TV show “Descendants of the Dragon (龍的傳人)” together with own IP “Prince Fresh (清阿哥)” to evoke the trend of ancient Chinese civilization for enhancing the brand image. The “Traditional Drink Sweet-Sour Plum Juice” met the demand for catering channels with its Chinese classic drink image. Western style juice drink “Master Kong Juices” focused on promoting large-package sales during festive scenarios. “Light Fruits (輕養果薈)” created a “Mix & Match Bar (特調 BAR)” campaign that combined with online marketing to create consumption scenarios. “Tropicana” captured catering scenarios and used a variety of specifications to meet the needs of different consumption scenarios such as dining and take-away to strengthen consumers preference for mixed juice through brand communication to achieve sales growth.

Functional Drinks/Probiotics Drinks/Coffee Drinks

Functional drink “Gatorade” continued to build the first brand image of sports drinks, and increased product exposure and achieved stable sales growth by expanding channels such as schools, sports venues and vending machines together with online marketing such as Applets and offline marketing such as branded refrigerators.

In the ready-to-drink coffee market, the Group, with its presence in medium and high priced coffee, has led the development of the premium market in cooperation with our international strategic partner Starbucks, and used “Bernachon coffee” to expand the room temperature mid-high price market so as to maintain sustained sales growth. The canned “Doubleshot” continued channel deepening, accelerated regional expansion, and focused on the development of the e-commerce and specialty channels. The bottled “Frappuccino” launched summer colorful edition gift boxes to drive sales in the peak seasons. “Bernachon coffee”, combining with online and offline marketing, actively promoted operation in core urban areas and core channels, and continued to expand the operation areas to achieve rapid sales growth.

“Wei Chuan Ambient Probiotics Drink” met consumers demand for nutrition and quality. On the basis of consolidating the Yangtze River Delta market, we will achieve sales growth by introducing new flavors and new packaging products, expanding sales geographical areas, and promoting new channel developments.

INSTANT FOOD BUSINESS

According to the data from Nielsen, overall sales volume of the biscuit market for the first three quarters of 2018 decreased by 0.1% yoy, sales amount increased by 5.3% yoy, of which sales volume of sandwich crackers decreased by 0.5% and sales amount increased by 7.0% yoy. In the first three quarters, in terms of sales amount, the market share of Master Kong egg rolls was 22.3%, ranked No.1 in the market. The market share of sandwich crackers was 10.3% and ranked No.2 in the market.

In the third quarter of 2018, revenue of the instant food business was RMB193 million, dropped by 16.45% yoy which was temporarily affected by product price increase, and amounted to 1.02% of the Group's total revenue. Gross margin increased by 1.75 ppt. to 37.65%. Despite the decrease in distribution costs and administrative expenses, the third quarter of 2018 recorded loss attributable to owners of instant food business of RMB6.06 million.

The instant food business continued to focus on its core operation of cake and cracker product categories, and gradually planned channel expansion and layout of innovative categories. During the period, we continued to introduce products of multiple specifications and multiple packages to cater to the demand for different consumption scenarios. We actively commenced the construction of emerging channels and improved the incentive mechanism for distributors to optimize overall channel structure. Master Kong's "3+2 sandwich crackers" continued to promote small package products to meet consumers consumption needs for small amount, diverse and higher frequency, and gradually convey a young brand image so as to explore more market opportunities. The "Muffin" has also begun the attempt to develop more specifications to further enrich the product lines.

In addition, the Group will continue to drive product price adjustments and streamline supply chain costs through production line automation to alleviate the upward pressure on raw materials and labor costs. The Group has also initiated product innovation and upgrades to meet the trends toward high-end and healthiness .

FINANCING

The Group continued to maintain a stable and healthy financial structure through effective control of the balances of trade receivables, trade payables, bank balances and cash as well as inventories. As at 30 September 2018, the Group's bank balances and cash totalled RMB12.904 billion, an increase of RMB2.619 billion from 31 December 2017. A sufficient amount of cash in hand was still maintained. As at 30 September 2018, the Group's total assets and total liabilities amounted to approximately RMB54.022 billion and RMB29.725 billion respectively. This showed a decrease in RMB77 million and a decrease in RMB2.080 billion respectively compared to 31 December 2017. The debt ratio decreased by 3.77 ppt. to 55.02% compared to 31 December 2017. Gearing ratio was dropped to -16.44% from 22.26% as at 31 December 2017.

As at 30 September 2018, the Group's total interest-bearing borrowings was RMB9.609 billion which decreased by RMB4.775 billion from 31 December 2017. At the end of the reporting period, the Group's proportion of the total borrowings denominated in foreign currencies and Renminbi were 84% and 16% respectively, as compared to 69% and 31% respectively as at 31 December 2017. The proportion between the Group's long-term borrowings and short-term borrowings was 68% and 32% respectively, as compared to 46% and 54% respectively as at 31 December 2017. In line with the Group's overall strategy of Cash Is King, the Group has implemented sound control over capital expenditure and has effectively implemented asset-light and activation on asset, which is expected to generate stable cash inflows. During the period, the Group sold the entire equity interests in a wholly-owned manufacturing subsidiary under the Group's beverage business to an independent third party, realized a net cash inflow of RMB150 million. In the future, the Group will continue to gradually reduce the level of interest-bearing borrowings through the usage of internal resource so as to achieve more flexible and healthier financial structure objectives and further improve the operational basis.

During the period from January to September 2018, US dollars appreciated against Renminbi by 5.70%. Due to the fluctuation of exchange rate, realized and unrealized exchange losses in aggregate of RMB45.39 million has been recognized in the Group's income statement.

Financial Ratio

	As at 30 September 2018	As at 31 December 2017
Finished goods turnover	10.81 Days	11.31 Days
Trade receivables turnover	10.76 Days	9.99 Days
Current ratio	0.96 Times	0.79 Times
Debt ratio (Total liabilities to total assets)	55.02%	58.79%
Gearing ratio (Net debt to equity attributable to owners of the Company)	-16.44%	22.26%

HUMAN RESOURCES

As of 30 September 2018, the Group had 54,177 employees. The Group continued to promote organization restructuring, build an efficient organization, and equip it with a suitable talent team. The Group continued to focus on strategic talent layout and talent development. Through various means such as management rejuvenation and talent diversification, the Group promoted the improvement of the "quality" of human resources.

The Group continued to optimize the echelon construction of strategic talents, introduce young and diverse talents through scientific selection, and carry out differentiated trainings. We continued to reserve school talents through the "Young Master Program" and trained basic talents for marketing companies and factories by ways of including school-enterprise cooperation.

CORPORATE SOCIAL RESPONSIBILITY

The Group adheres to the philosophy of “sustainable operation and contribution to the society” and actively fulfills its social responsibility to provide consumers with safe, convenient and delicious products, and contributes to the sustainable development of the country and the nation.

The Group regards food safety as the foundation of an enterprise, continuously improves the production process, strictly controls the quality of its products, and initiates cooperation with China’s aerospace industry. Apart from demonstrating the application of aerospace technology in food safety and production, the Group also actively promotes food safety education through online and offline popular science activities and close cooperation with universities and communities, and guides all sectors of the society to participate in food safety law popularization and scientific knowledge popularization, and promotes the concept of healthy diet while enhancing the awareness of social supervision.

In response to the government’s energy conservation and environmental protection policy, the Group continues to promote a number of energy conservation and emission reduction projects, and actively carries out environmental protection education. Part of the factories have implemented energy-saving and emission reduction through the transformation of compressed air pipelines and the replacement of LED energy-saving lamps. In terms of environmental protection education, the Group has promoted the “Water Education” programme together with the China Beverage Industry Association for the fourth consecutive year, making long-term contribution to environmental protection.

In response to the government’s call, the Group has engaged in disaster relief donation and community consolation activities. As always, the Group actively participated in disaster relief work. In the aftermath of the floods in Chaoshan, Gansu and Henan, the Group timely delivered disaster relief supplies to the victims, which is highly recognized by local government and residents. The Group has also launched a number of community consolation activities throughout China to donate consolation supplies to kindergartens, schools, police stations, the military, and “China’s Northernmost Post Office” in Mohe. In the third quarter, we sent coolness and love to the workers and residents in many high temperature places through water delivering trucks, “cooling supply stations (清涼補給站)”, “self-serviced refrigerators(無人冰箱)”, “Love Station(愛心驛站)” and other means; the Group has also provided scholarships to children of migrant workers.

The Group has also dedicate to the education sector. The “Master Kong Dream Scholarship Project” organized jointly with Waseda University has entered into the fifth phrase. Through such project, the Group subsidizes outstanding undergraduate students from 5 top universities in China for an exchange program in Japan. In addition, the Group has participated in the GMIX social prictice project of Stanford University for the third consecutive year, inviting MBA students to come to the Group to carry out intern project exchanges.

PROSPECTS

Affected by slowing momentum of world economic growth and the uncertainties of Sino-US trade conflict, China’s food and beverage industry is also facing pressure on growth. Amidst changing consumer behaviors, fragmenting channels and hovering price of certain raw materials under new economic environment, it is expected that the instant noodle business will develop steadily while the beverage business will still suffer from the pain of business model adjustment in the short - term.

Taking into account short-term, medium and long-term sustainable development, the Group will continue to promote product structure adjustment and reset the business. The Group will seek for stable growth, build the brands, attach importance to cash level, and timely repay bank borrowings to consolidate core categories and products as its top priority, gradually deploy high-end markets, enhance brand investment and brand building, and seek win-win cooperation with dealers and all kinds of partners, optimize channel structure, and layout multiple sales channels.

Meanwhile, the Group will continue to accurately control capital expenditures on the financial side; in respect of supply chain reform, the Group will also optimize layout of production lines and capacities to improve supply chain synergies apart from light asset and asset activation reforms; in respect of organization transformation and upgrade, it will continue to optimize human resources structure apart from streamlining and flattening the organization; utilize internet empowerment to promote big data application, and share service platform construction and system intelligence, with a view to enhancing the efficiency of the Group’s operation.

The Group will continue to take food safety as the foundation for development, take aerospace cooperation as an opportunity for promoting the R&D of food safety technologies, and take “national brands” as self-encouragement. With meeting the needs of mass consumption as its business foundation, serving middle class consumer demand as a long-term development goal, and winning together with customers and partners as the cornerstone of success, the Group will adhere to ongoing product structure adjustments and sustainable development striving for gaining a long-term presence in the Chinese food and beverage market.

CORPORATE GOVERNANCE

The Company has, throughout the period ended 30 September 2018, 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 of the CG Code. The reason for the deviation is explained below.

Code provision A.4.1

Code provision A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term, subject to re-election. The Company deviates from this provision because the Non-Executive Directors and Independent Non-Executive Directors of the Company do not currently have specific terms of appointment. However, the articles of association of the 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 the 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 Audit Committee. The latest meeting of the Audit Committee was held to review the results of the Group for the period under review.

Internal Control and Risk Management

The principal spirit of internal control procedure established by the Company is compliance with five elements in COSO structure, i.e. environment monitoring, risk assessment, control, information and communication, and monitoring and assessment. The expected objective is to define the management structure and authorization so as to enhance the achievement of operating performance and operational efficiency as well as asset safety protection, to ensure the reliability of financial report while in compliance with the requirements of national regulations.

The Audit Committee will assist the Board in reviewing the design and operational effectiveness of the risk management and internal control system of the Group. Under the supervision of the Board, the Company has established a clear structural organization and line of responsibility and authority. As of 30 September 2018, we completed the improvement and compliance supervision of internal control diagnosis and approval authorization in respect of finance and operation. According to the review of internal control and audit department, we have not identified any material deficiency in internal control and risk management.

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 as its own code of conduct regarding Directors’ securities transactions. 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 period under review.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

There were no purchases, sales or redemptions of the Company’s listed securities by the Company or any of its subsidiaries during the period under review.

SHARE OPTION SCHEME

At the extraordinary general meeting (the “EGM”) of the Company held on 20 March 2008, the shareholders approved the adoption of the share option scheme (the “2008 Share Option Scheme”), with a term of ten years from the date of adoption.

In view of the expiry of the 2008 Share Option Scheme, the shareholders of the Company adopted the new share option scheme (the “2018 Share Option Scheme”) at the EGM held on 26 April 2018, with a term of ten years from the date of adoption.

(a) 2008 Share Option Scheme

During the nine months ended 30 September 2018, no share options were granted by the Company in accordance with the terms of the 2008 Share Option Scheme.

The terms of the 2008 Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. Detailed arrangement for the 2008 Share Option Scheme is shown as below: (Table A)

Date of grant	Number of share options granted	Exercisable period	Exercise price (HK\$)
20 March 2008	11,760,000	21 March 2013 to 20 March 2018 (1)	\$9.28
22 April 2009	26,688,000	23 April 2014 to 22 April 2019 (2)	\$9.38
1 April 2010	15,044,000	1 April 2015 to 31 March 2020 (3)	\$18.57
12 April 2011	17,702,000	12 April 2016 to 11 April 2021 (4)	\$19.96
26 April 2012	9,700,000	26 April 2017 to 25 April 2022 (5)	\$20.54
27 May 2013	11,492,000	27 May 2018 to 26 May 2023 (6)	\$20.16
17 April 2014	12,718,500	17 April 2019 to 16 April 2024 (7)	\$22.38
5 June 2015	17,054,000	5 June 2020 to 4 June 2025 (8)	\$16.22
4 July 2016	10,148,000	4 July 2021 to 3 July 2026 (9)	\$7.54
21 April 2017	11,420,000	21 April 2022 to 20 April 2027 (10)	\$10.20

The summary below sets out the details of movement of the share options during the nine months ended 30 September 2018 pursuant to the 2008 Share Option Scheme: (Table B)

Name	Date of grant	Exercise price HK\$	Closing price of the shares on the date of grant HK\$	Balance as at 1 January 2018	Number of share option			Balance as at 30 September 2018	Weighted average closing price immediately before exercise HK\$	Note
					Granted during the period	Exercised during the period	Cancelled/lapsed during the period			
Executive Director										
Wei Ing-Chou	20 March 2008	9.28	8.55	2,000,000	—	2,000,000	—	—	15.96	Table A (1)
	22 April 2009	9.38	9.37	2,816,000	—	—	—	2,816,000	—	Table A (2)
	1 April 2010	18.57	18.42	2,200,000	—	—	—	2,200,000	—	Table A (3)
	12 April 2011	19.96	19.96	2,264,000	—	—	—	2,264,000	—	Table A (4)
	26 April 2012	20.54	19.88	1,368,000	—	—	—	1,368,000	—	Table A (5)
	27 May 2013	20.16	20.05	1,390,000	—	—	—	1,390,000	—	Table A (6)
	17 April 2014	22.38	22.35	1,486,000	—	—	—	1,486,000	—	Table A (7)
	5 June 2015	16.22	15.92	1,726,000	—	—	—	1,726,000	—	Table A (8)
Lin Chin-Tang	27 May 2013	20.16	20.05	218,000	—	—	—	218,000	—	Table A (6)
	17 April 2014	22.38	22.35	224,000	—	—	—	224,000	—	Table A (7)
	5 June 2015	16.22	15.92	334,000	—	—	—	334,000	—	Table A (8)
Wei Hong-Ming	21 April 2017	10.20	10.20	1,000,000	—	—	—	1,000,000	—	Table A (10)
Director of a subsidiary										
Wei Hong-Chen	21 April 2017	10.20	10.20	1,000,000	—	—	—	1,000,000	—	Table A (10)
Chief Executive Officer										
James Chun-Hsien Wei	27 May 2013	20.16	20.05	904,000	—	—	—	904,000	—	Table A (6)
	17 April 2014	22.38	22.35	1,148,000	—	—	—	1,148,000	—	Table A (7)
	5 June 2015	16.22	15.92	2,006,000	—	—	—	2,006,000	—	Table A (8)
	4 July 2016	7.54	7.54	4,300,000	—	—	—	4,300,000	—	Table A (9)
	21 April 2017	10.20	10.20	4,000,000	—	—	—	4,000,000	—	Table A (10)
Other employees in aggregate										
in aggregate	20 March 2008	9.28	8.55	300,000	—	150,000	150,000	—	15.96	Table A (1)
	22 April 2009	9.38	9.37	4,145,000	—	809,000	718,000	2,618,000	16.38	Table A (2)
	1 April 2010	18.57	18.42	7,803,000	—	—	675,000	7,128,000	—	Table A (3)
	12 April 2011	19.96	19.96	9,946,000	—	—	782,000	9,164,000	—	Table A (4)
	26 April 2012	20.54	19.88	6,088,000	—	—	220,000	5,868,000	—	Table A (5)
	27 May 2013	20.16	20.05	7,588,000	—	—	—	7,588,000	—	Table A (6)
	17 April 2014	22.38	22.35	8,484,000	—	—	130,000	8,354,000	—	Table A (7)
	5 June 2015	16.22	15.92	11,754,000	—	690,000	149,000	10,915,000	17.66	Table A (8)
	4 July 2016	7.54	7.54	5,123,000	—	400,000	—	4,723,000	15.15	Table A (9)
	21 April 2017	10.20	10.20	5,270,000	—	500,000	—	4,770,000	15.94	Table A (10)
Total			96,885,000	—	4,549,000	2,824,000	89,512,000			

For the period of nine months ended 30 September 2018, 4,549,000 options had been exercised under the 2008 Share Option Scheme. Weighted average exercise price was HK\$10.30 and the weighted average market closing price before the date of exercise was HK\$16.22.

(b) 2018 SHARE OPTION SCHEME

The terms of the 2018 Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. Detailed arrangement for the 2018 Share Option Scheme is shown as below: (Table C)

Date of grant	Number of share options granted	Exercisable period	Exercise price (HK\$)
27 April 2018	2,478,000	30 April 2021 to 26 April 2028 (1a)	\$16.18
27 April 2018	5,626,000	30 April 2021 to 26 April 2024 (1b)	\$16.18

The summary below sets out the details of movement of the share options during the nine months ended 30 September 2018 pursuant to the 2018 Share Option Scheme: (Table D)

Name	Date of grant	Exercise price HK\$	Closing price of the shares on the date of grant HK\$	Number of share option					Balance as at 30 September 2018	Weighted average closing price immediately before exercise HK\$	Note
				Balance as at 1 January 2018	Granted during the period	Exercised during the period	Cancelled/lapsed during the period				
Executive Director											
Wei Ing-Chou	27 April 2018	16.18	15.02	—	470,000	—	—	470,000	—	Table C (1b)	
Wei Hong-Ming	27 April 2018	16.18	15.02	—	483,000	—	—	483,000	—	Table C (1b)	
Director of a subsidiary											
Wei Hong-Chen	27 April 2018	16.18	15.02	—	483,000	—	—	483,000	—	Table C (1b)	
Chief Executive Officer											
James Chun-Hsien Wei	27 April 2018	16.18	15.02	—	2,478,000	—	—	2,478,000	—	Table C (1a)	
	27 April 2018	16.18	15.02	—	27,000	—	—	27,000	—	Table C (1b)	
Other employees in aggregate											
	27 April 2018	16.18	15.02	—	4,163,000	—	22,000	4,141,000	—	Table C (1b)	
Total				—	8,104,000	—	22,000	8,082,000	—		

During the nine months ended 30 September 2018, no share options were exercised under the terms of the 2018 Share Option Scheme.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE OFFICER IN SHARES

As at 30 September 2018, 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		Percentage of the issued share capital	Number of underlying shares held under share options Beneficial owner (Note 2)	Percentage of the issued share capital
	Personal interests	Corporate interests (Note 1)			
Directors					
Wei Ing-Chou	13,942,000	1,882,927,866	33.76%	13,720,000	0.24%
Wei Hong-Ming	—	—	—	1,483,000	0.02%
Lin Chin-Tang	614,000	—	0.01%	776,000	0.01%
Chief Executive Officer					
James Chun-Hsien Wei	—	—	—	14,863,000	0.26%

(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	KSF Beverage Holding Co., Ltd. (formerly known as “Tingyi-Asahi Beverage Holding Co., Ltd.”)	232,645 shares	22.10%	Corporate

Note:

1. These 1,882,927,866 shares are held by and registered under the name of Ting Hsin (Cayman Islands) Holding Corp. (“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 Rich Gold Capital Inc., 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. Rich Gold Capital Inc. is wholly owned by Tingho Capital Holding Co., Limited, which is owned as to 25% each by Wei Chang Lu-Yun (spouse of Wei Ing-Chou), Lin Li-Mien (spouse of Wei Ying-Chiao), Wei Hsu Hsiu-Mien (spouse of Wei Yin-Chun) and Wei Tu Miao (spouse of Wei Yin-Heng). 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. Lion Trust (Singapore) 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 13,942,000 shares and holds 13,720,000 share options (details shown as Table B and Table D on page 28 and 29 respectively) under the share option schemes of the Company passed by extraordinary general meetings of the Company held on 20 March 2008 and 26 April 2018 respectively. 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.

Lin Chin-Tang is also personally interested in 614,000 shares and holds 776,000 share options (details shown as Table B on page 28) under the share option scheme of the Company passed by extraordinary general meeting of the Company held on 20 March 2008.

Wei Hong-Ming holds 1,483,000 share options (details shown as Table B and Table D on page 28 and 29 respectively) under the share option schemes of the Company passed by extraordinary general meetings of the Company held on 20 March 2008 and 26 April 2018 respectively.

James Chun-Hsien Wei holds 14,863,000 share options (details shown as Table B and Table D on page 28 and 29 respectively) under the share option schemes of the Company passed by extraordinary general meetings of the Company held on 20 March 2008 and 26 April 2018 respectively.
3. These 232,645 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 nine months ended 30 September 2018 were there 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 there any such rights exercised by them; or was the 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 2018, 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 2018, 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:

Name of shareholder	Capacity	Number of shares held	% of the issued share capital
Interest of Substantial Shareholders			
Ting Hsin (see Note 1)^	Beneficial owner	1,882,927,866 (L)	33.51
Ho Te Investments Limited (see Note 1)^	Interest of controlled company	1,882,927,866 (L)	33.51
Rich Cheer Holdings Limited (see Note 1)^	Interest of controlled company	1,882,927,866 (L)	33.51
Profit Surplus Holdings Limited (see Note 1)^	Trustee of a unit trust	1,882,927,866 (L)	33.51
Lion Trust (Singapore) Limited (see Note 1)^	Trustee of discretionary trusts	1,882,927,866 (L)	33.51
Wei Chang Lu-Yun (see Notes 1 & 2)^	Settlor of a discretionary trust	1,910,589,866 (L)	34.00
Lin Li-Mien (see Note 1)^	Settlor of a discretionary trust	1,882,927,866 (L)	33.51
Wei Hsu Hsiu-Mien (see Note 1)^	Settlor of a discretionary trust	1,882,927,866 (L)	33.51
Wei Tu Miao (see Note 1)^	Settlor of a discretionary trust	1,882,927,866 (L)	33.51
Sanyo Foods Co., Ltd.	Beneficial owner	1,882,927,866 (L)	33.51

^: Note 1 and 2 are set out on page 31

Note: (L): Long Position

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 2018.

BOARD OF DIRECTORS

As at the date of this report, Mr. Wei Ing-Chou, Mr. Junichiro Ida, Mr. Lin Chin-Tang, Mr. Teruo Nagano, Mr. Wei Hong-Ming and Mr. Koji Shinohara are Executive Directors. Mr. Hsu Shin-Chun, Mr. Lee Tiong-Hock and Mr. Hiromu Fukada are Independent Non-executive Directors.

By Order of the Board
Wei Ing-Chou
Chairman

Shanghai, the PRC, 26 November 2018

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

* For identification purpose only