康師傅控股

TINGYI (CAYMAN ISLANDS) HOLDING CORP.

2017

Third Quarterly Report

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 2017	2016 (Restated)	Change	For the nine months ended 30 September 2017	2016 (Restated)	Change
•	Revenue	19,686,598	18,146,810	↑ 8.49%	48,254,320	45,562,149	↑ 5.91%
•	Gross margin	32.50%	33.44%	↓ 0.94 ppt.	30.49%	32.35%	↓ 1.86 ppt.
•	Gross profit of the Group	6,397,189	6,068,524	↑ 5.42%	14,710,682	14,740,877	↓ 0.20%
•	EBITDA	3,418,807	2,998,272	↑ 14.03%	6,762,208	6,181,231	↑ 9.40%
•	Profit for the period	1,883,326	1,472,190	↑ 27.93%	2,763,476	2,064,272	↑ 33.87%
•	Profit attributable to owners of the Company	1,238,113	952,571	↑ 29.98%	1,938,317	1,405,523	↑ 37.91%
•	Earnings per share (RMB cents)						
	Basic	22.09	17.00	↑ 5.09 cents	34.58	25.09	↑ 9.49 cents
	Diluted	22.07	17.00	↑ 5.07 cents	34.57	25.09	↑ 9.48 cents

As at 30 September 2017, cash and cash equivalents was RMB13,751.503 million, representing an increase of RMB3,519.691 million when compared to 31 December 2016. Gearing ratio was -0.18 times.

2017 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 2017 together with the comparative figures for the corresponding period in 2016. 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 2017

	Note	**July to September 2017** (Unaudited) *RMB'000*	**January to September 2017** (Unaudited) *RMB'000*	**July to September 2016** (Unaudited and restated) *RMB'000*	**January to September 2016** (Unaudited and restated) *RMB'000*
Revenue	2	19,686,598	48,254,320	18,146,810	45,562,149
Cost of sales		(13,289,409)	(33,543,638)	(12,078,286)	(30,821,272)
Gross Profit		6,397,189	14,710,682	6,068,524	14,740,877
Other revenue		71,455	188,756	70,123	160,118
Other net income (expenses)		158,372	452,534	183,258	311,433
Distribution costs		(3,230,231)	(8,888,380)	(3,483,785)	(9,580,982)
Administrative expenses		(644,253)	(1,705,658)	(600,332)	(1,641,868)
Other operating expenses		(216,874)	(701,588)	(181,378)	(697,748)
Finance costs	5	(90,143)	(360,513)	(131,648)	(369,250)
Share of results of associates and joint ventures		52,427	147,129	63,260	136,895
Profit before taxation	5	2,497,942	3,842,962	1,988,022	3,059,475
Taxation	6	(614,616)	(1,079,486)	(515,832)	(995,203)
Profit for the period		1,883,326	2,763,476	1,472,190	2,064,272
Profit attributable to:					
Owners of the Company		1,238,113	1,938,317	952,571	1,405,523
Non-controlling interests		645,213	825,159	519,619	658,749
Profit for the period		1,883,326	2,763,476	1,472,190	2,064,272
Earnings per share	7				
Basic		RMB22.09 cents	RMB34.58 cents	RMB17.00 cents	RMB25.09 cents
Diluted		RMB22.07 cents	RMB34.57 cents	RMB17.00 cents	RMB25.09 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Three Months and Nine Months Ended 30 September 2017

	July to September 2017	January to September 2017	July to September 2016	January to September 2016
	(Unaudited)	*(Unaudited)*	*(Unaudited and restated)*	*(Unaudited and restated)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Profit for the period	1,883,326	2,763,476	1,472,190	2,064,272
Other comprehensive income (loss)				
Items that are or may be reclassified subsequently to profit or loss:				
Exchange differences on consolidation	62,001	174,711	(25,990)	(281,741)
Fair value changes in available-for-sale financial assets	12,579	18,187	5,880	3,437
Reclassification adjustments relating to available-for-sale financial assets disposed of during the period	(969)	(37,047)	(8,244)	(35,718)
Other comprehensive income (loss) for the period	73,611	155,851	(28,354)	(314,022)
Total comprehensive income for the period	1,956,937	2,919,327	1,443,836	1,750,250
Total comprehensive income attributable to:				
Owners of the Company	1,306,511	2,090,893	923,969	1,124,139
Non-controlling interests	650,426	828,434	519,867	626,111
	1,956,937	2,919,327	1,443,836	1,750,250

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2017

	Note	At 30 September 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited and restated) RMB'000
ASSETS			
Non-current assets			
Investment properties		1,080,997	1,060,000
Property, plant and equipment		28,776,969	32,556,784
Prepaid lease payments		3,751,934	3,932,435
Intangible asset		168,557	179,179
Goodwill	13	97,910	—
Interest in associates		127,927	160,538
Interest in joint ventures		700,353	676,408
Available-for-sale financial assets		537,660	641,619
Other non-current assets		317,964	—
Deferred tax assets		314,261	276,291
		35,874,532	39,483,254
Current assets			
Inventories		2,492,568	2,482,202
Trade receivables	9	2,307,309	1,589,893
Tax recoverable		—	120,861
Prepayments and other receivables		4,439,004	2,613,009
Pledged bank deposits		152,804	42,352
Bank balances and cash		13,598,699	10,189,460
		22,990,384	17,037,777
Total assets		58,864,916	56,521,031

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2017

	Note	**At 30 September 2017 (Unaudited)** *RMB'000*	**At 31 December 2016 (Audited and restated)** *RMB'000*
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	10	234,804	234,767
Share premium		534,872	523,278
Reserves		14,818,595	17,365,495
Total capital and reserves attributable to owners of the Company		15,588,271	18,123,540
Non-controlling interests		6,872,213	5,977,039
Total equity		22,460,484	24,100,579
Non-current liabilities			
Financial liabilities at fair value through profit or loss		5,690	152,650
Obligations arising from put options written to a non-controlling shareholder		3,989,293	—
Long-term interest-bearing borrowings	11	4,928,696	6,880,190
Other non-current liabilities	13	40,000	—
Employee benefit obligations		200,411	205,573
Deferred tax liabilities		1,300,366	1,473,995
		10,464,456	8,712,408
Current liabilities			
Trade payables	12	10,367,385	6,595,355
Other payables and deposits received		8,348,384	6,697,875
Current portion of interest-bearing borrowings	11	6,010,645	9,163,746
Financial liabilities at fair value through profit or loss		72,206	—
Advance payments from customers		598,146	1,015,548
Taxation		543,210	235,520
		25,939,976	23,708,044
Total liabilities		36,404,432	32,420,452
Total equity and liabilities		58,864,916	56,521,031
Net current assets (liabilities)		(2,949,592)	(6,670,267)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Nine Months Ended 30 September 2017

	Attributable to owners of the Company					
	Issued capital (Unaudited and restated) *RMB'000*	**Share premium (Unaudited and restated)** *RMB'000*	**Reserves (Unaudited and restated)** *RMB'000*	**Total capital and reserves (Unaudited and restated)** *RMB'000*	**Non-controlling interests (Unaudited and restated)** *RMB'000*	**Total Equity (Unaudited and restated)** *RMB'000*
At 1 January 2016	234,710	505,449	17,971,880	18,712,039	6,463,657	25,175,696
Profit for the period	–	–	1,405,523	1,405,523	658,749	2,064,272
Other comprehensive income (loss):						
Exchange differences on consolidation	–	–	(249,103)	(249,103)	(32,638)	(281,741)
Fair value changes in available-for-sale financial assets	–	–	3,437	3,437	–	3,437
Reclassification adjustments relating to available-for-sale financial assets disposed of during the period	–	–	(35,718)	(35,718)	–	(35,718)
Total other comprehensive loss	–	–	(281,384)	(281,384)	(32,638)	(314,022)
Total comprehensive income for the period	–	–	1,124,139	1,124,139	626,111	1,750,250
Transactions with owners:						
Contributions and distribution						
Equity settled share-based transactions	–	–	54,862	54,862	–	54,862
2015 dividend approved and paid	–	–	(806,485)	(806,485)	(76,581)	(883,066)
	–	–	(751,623)	(751,623)	(76,581)	(828,204)
Changes in ownership interests						
Change in ownership interest in a subsidiary without change in control	–	–	(3,124)	(3,124)	–	(3,124)
Total transactions with owners	–	–	(754,747)	(754,747)	(76,581)	(831,328)
At 30 September 2016	234,710	505,449	18,341,272	19,081,431	7,013,187	26,094,618

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Nine Months Ended 30 September 2017

	Attributable to owners of the Company					
	Issued capital (Unaudited) *RMB'000*	**Share premium (Unaudited)** *RMB'000*	**Reserves (Unaudited)** *RMB'000*	**Total capital and reserves (Unaudited)** *RMB'000*	**Non-controlling interests (Unaudited)** *RMB'000*	**Total Equity (Unaudited)** *RMB'000*
At 1 January 2017 (Restated)	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 dividend approved	–	–	(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 (Note 13)	–	–	–	–	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 CASH FLOWS

For the Nine Months Ended 30 September 2017

	January to September 2017 (Unaudited) *RMB'000*	January to September 2016 (Unaudited and restated) *RMB'000*
OPERATING ACTIVITIES		
Cash generated from operations	10,604,728	10,479,941
The People's Republic of China ("PRC") enterprise income tax paid	(865,166)	(373,367)
Interest paid	(351,514)	(359,066)
Net cash from operating activities	9,388,048	9,747,508
INVESTING ACTIVITIES		
Interest received	188,756	160,118
Purchase of debt investment	(900,000)	—
Purchase of available-for-sale financial assets	—	(40,031)
Purchase of property, plant and equipment	(672,303)	(1,337,095)
Prepaid lease payments	(11,095)	(311,506)
Net cash inflow on acquisition of a subsidiary	99,194	—
Net cash inflow on disposal of subsidiaries	663,128	—
Others	221,487	156,774
Net cash used in investing activities	(410,833)	(1,371,740)
FINANCING ACTIVITIES		
Dividend paid to owners of the Company	(598,505)	(851,254)
Dividends paid to non-controlling interests	(109,902)	(79,521)
Proceeds from bank and other borrowings	4,752,527	6,677,941
Repayments of bank and other borrowings	(9,472,896)	(6,706,339)
Others	(7,809)	(3,124)
Net cash used in financing activities	(5,436,585)	(962,297)
Net increase in cash and cash equivalents	3,540,630	7,413,471
Cash and cash equivalents at 1 Janauary	10,231,812	6,647,191
Effect on exchange rate changes	(20,939)	16,073
Cash and cash equivalents at 30 September	13,751,503	14,076,735
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	13,598,699	13,992,733
Pledged bank deposits	152,804	84,002
	13,751,503	14,076,735

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 2016 annual financial statements. The accounting policies adopted in preparing these condensed consolidated third quarterly financial statements for the nine months ended 30 September 2017 are consistent with those in the preparation of the Group's annual financial statements for the year ended 31 December 2016, 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 2017 and change of presentation currency as described below.

(a) Adoption of new/revised HKFRSs

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual improvements project to HKFRSs	2014-2016 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.

(b) Change of presentation currency

The condensed consolidated third quarterly financial statements for the nine months ended 30 September 2017 are presented in Renminbi ("RMB"), which is different from the presentation currency of United States dollars ("US$") used in the Company's condensed consolidated third quarterly financial statements for the nine months ended 30 September 2016 and the consolidated financial statements for the year ended 31 December 2016. Since most of the Group's transaction are denominated and settled in RMB, the directors of the Company considered that the change in presentation currency could reduce the impact of any fluctuations in the exchange rate of the US$ against the RMB, which is not due to the operations and beyond the control of the Group, on the consolidated financial statements of the Group. It enables the Shareholders of the Company to have a more accurate picture of the Group's financial performance. Accordingly, the directors of the Company have determined the change of presentation currency from US$ to RMB effective from 1 January 2017. The comparative figures have been restated accordingly to achieve comparability with the current period.

As aforementioned, the condensed consolidated third quarterly financial statements are presented in RMB, which is different from the Company's functional currency of US$. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

2. Revenue

The Group's revenue comprises revenue arising from the sale of goods at invoiced value to customers, net of returns, discounts and value added tax, and rental income from investment properties.

3. Segment information

Segment results

	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	543,421	–	48,254,320
Inter-segment revenue	497	1,259	259	860,303	(862,318)	–
Segment revenue	16,979,138	30,105,238	628,538	1,403,724	(862,318)	48,254,320
Segment results after finance cost	1,632,262	2,095,885	(5,357)	(64,009)	9,588	3,668,369
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	1,632,262	2,246,500	(8,843)	(36,545)	9,588	3,842,962
Taxation	(473,789)	(576,969)	(2,069)	(26,659)	–	(1,079,486)
Profit (loss) for the period	1,158,473	1,669,531	(10,912)	(63,204)	9,588	2,763,476

	For the Nine Months ended 30 September 2016					
	Instant noodles (Unaudited and restated) *RMB'000*	**Beverages (Unaudited and restated)** *RMB'000*	**Instant food (Unaudited and restated)** *RMB'000*	**Others (Unaudited and restated)** *RMB'000*	**Inter-segment elimination (Unaudited and restated)** *RMB'000*	**Total (Unaudited and restated)** *RMB'000*
Revenue						
Revenue from external customers	16,557,007	27,878,437	632,572	494,133	–	45,562,149
Inter-segment revenue	469	6,908	10,539	832,290	(850,206)	–
Segment revenue	16,557,476	27,885,345	643,111	1,326,423	(850,206)	45,562,149
Segment results after finance cost	1,396,718	1,594,570	(36,727)	(57,738)	4,543	2,901,366
Share of results of associates and joint ventures	(100)	147,872	(10,877)	–	–	136,895
Unallocated income, net	–	–	–	21,214	–	21,214
Profit (loss) before taxation	1,396,618	1,742,442	(47,604)	(36,524)	4,543	3,059,475
Taxation	(435,820)	(521,166)	(2,233)	(35,984)	–	(995,203)
Profit (loss) for the period	960,798	1,221,276	(49,837)	(72,508)	4,543	2,064,272

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 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 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*
Segment assets	20,190,109	32,185,592	850,954	5,472,815	(1,200,494)	57,498,976
Interest in associates	–	125,596	2,331	–	–	127,927
Interest in joint ventures	–	652,392	47,961	–	–	700,353
Unallocated assets						537,660
Total assets						58,864,916
Segment liabilities	7,900,118	19,068,817	332,874	10,365,557	(1,463,345)	36,204,021
Unallocated liabilities						200,411
Total liabilities						36,404,432

	At 31 December 2016					
	Instant noodles (Audited and restated) *RMB'000*	**Beverages (Audited and restated)** *RMB'000*	**Instant food (Audited and restated)** *RMB'000*	**Others (Audited and restated)** *RMB'000*	**Inter-segment elimination (Audited and restated)** *RMB'000*	**Total (Audited and restated)** *RMB'000*
Segment assets	22,440,591	30,809,377	1,023,107	6,975,755	(6,206,364)	55,042,466
Interest in associates	–	172,713	(12,175)	–	–	160,538
Interest in joint ventures	–	626,059	50,349	–	–	676,408
Unallocated assets						641,619
Total assets						56,521,031
Segment liabilities	7,125,673	19,271,095	485,088	11,403,247	(6,070,224)	32,214,879
Unallocated liabilities						205,573
Total liabilities						32,420,452

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 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 2017 (Unaudited) *RMB'000*	January to September 2017 (Unaudited) *RMB'000*	July to September 2016 (Unaudited and restated) *RMB'000*	January to September 2016 (Unaudited and restated) *RMB'000*
Finance costs				
Interest on bank and other borrowings wholly repayable within five years	80,495	332,248	131,648	369,250
Interest on bank and other borrowings wholly repayable over five years	9,648	28,265	–	–
	90,143	360,513	131,648	369,250
Other items				
Depreciation	876,640	2,672,049	926,356	2,843,748
Amortisation	25,537	75,440	22,369	68,876

6. Taxation

	July to September 2017 (Unaudited) *RMB'000*	January to September 2017 (Unaudited) *RMB'000*	July to September 2016 (Unaudited and restated) *RMB'000*	January to September 2016 (Unaudited and restated) *RMB'000*
Current tax – the PRC Enterprise income tax				
Current period	482,413	895,030	391,342	802,088
Deferred taxation				
Origination and reversal of temporary differences, net	23,433	24,612	44,427	71,703
Effect of withholding tax on the distributable earnings of the Group's PRC subsidiaries	108,770	159,844	80,063	121,412
Total tax charge for the period	614,616	1,079,486	515,832	995,203

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 2017 and 2016.

The applicable PRC enterprise income tax for the PRC subsidiaries is at the statutory rate of 25% (2016: 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% (2016: 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 2017 (Unaudited)	January to September 2017 (Unaudited)	July to September 2016 (Unaudited and restated)	January to September 2016 (Unaudited and restated)
Profit attributable to ordinary shareholders (RMB' 000)	1,238,113	1,938,317	952,571	1,405,523
Weighted average number of ordinary shares ('000)	5,605,010	5,604,772	5,602,871	5,602,871
Basic earnings per share (RMB cents)	22.09	34.58	17.00	25.09

b) Diluted earnings per share

	July to September 2017 (Unaudited)	January to September 2017 (Unaudited)	July to September 2016 (Unaudited and restated)	January to September 2016 (Unaudited and restated)
Profit attributable to ordinary shareholders (RMB' 000)	1,238,113	1,938,317	952,571	1,405,523
Weighted average number of ordinary shares (diluted) ('000)				
Weighted average number of ordinary shares	5,605,010	5,604,772	5,602,871	5,602,871
Effect of the Company's share option scheme	4,800	2,863	169	57
Weighted average number of ordinary shares for the purpose of calculated diluted earnings per share	5,609,810	5,607,635	5,603,040	5,602,928
Diluted earnings per share (RMB cents)	22.07	34.57	17.00	25.09

8. Dividend

The Board of Directors does not recommend the payment of a third quarterly dividend for the nine months ended 30 September 2017 (2016: 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 2017 (Unaudited) *RMB'000*	At 31 December 2016 (Audited and restated) *RMB'000*
0 - 90 days	2,245,155	1,460,298
Over 90 days	62,154	129,595
	2,307,309	1,589,893

10. Issued capital

	At 30 September 2017 (Unaudited)			At 31 December 2016 (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	5,604,501,360	28,023	234,767	5,602,871,360	28,014	234,710
Shares issued under share option scheme	1,092,000	5	37	1,630,000	9	57
At the end of the reporting period	5,605,593,360	28,028	234,804	5,604,501,360	28,023	234,767

During the reporting period, 1,092,000 options were exercised to subscribe for 1,092,000 ordinary shares of the Company at a total consideration of RMB8,791,000 of which RMB37,000 was credited to share capital and the balance of RMB8,754,000 was credited to the share premium account. In addition, RMB2,840,000 has been transferred from the share-based payment reserve to the share premium account.

11. Interest-bearing borrowings

	At 30 September 2017 (Unaudited) *RMB'000*	At 31 December 2016 (Audited and restated) *RMB'000*
The maturity of the interest bearing borrowings:		
Within one year	6,010,645	9,163,746
In the second year	1,594,558	2,454,080
In the third year to the fifth years, inclusive	2,812,781	3,983,876
Over five years	521,357	442,234
	10,939,341	16,043,936
Portion classified as current liabilities	(6,010,645)	(9,163,746)
Non-current portion	4,928,696	6,880,190

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 RMB997,493,000 (2016: RMB995,313,000) and is included in the interest-bearing borrowings with maturity within one year (2016: in the second year). The RMB Notes are listed on the Singapore Exchange Securities Trading Limited. The fair value of the RMB Notes as at 30 September 2017 was RMB1,000,580,000 (2016: RMB991,050,000).

The notes issued by the Company on 20 June 2012 (the "US$ Notes") was listed on the Singapore Exchange Securities Trading Limited. During the reporting period, the US$ Notes have matured and the Group has repaid the principal amount of RMB3,383,600,000.

During the nine months ended 30 September 2017, the Group obtained bank loans in aggregate amount of RMB4,752,527,000 (2016: RMB6,677,941,000) and recognised amortised interest of the RMB Notes and US$ Notes (collectively, the "Unsecured Notes"), and other unsecured notes for an aggregate amount of RMB8,998,000 (2016: RMB9,347,000). Repayments of bank loans amounting to RMB9,472,896,000 (2016: RMB6,706,339,000) 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 2017 (Unaudited) *RMB'000*	At 31 December 2016 (Audited and restated) *RMB'000*
0 - 90 days	9,717,959	5,938,123
Over 90 days	649,426	657,232
	10,367,385	6,595,355

13. Acquisition of a subsidiary

On 10 May 2017, PepsiCo Investment (China) Limited ("PICL"), a non-wholly owned subsidiary of the Company, entered into a sale and purchase agreement (the "SPA") with one of the shareholders (the "Vendor") of Hangzhou Pepsi-cola Beverage Co., Limited ("HZPS"), an associate of the Group, pursuant to which PICL agreed to acquire an additional 25% equity interest in HZPS from the Vendor (the "Acquisition"). In addition, the Vendor also issued an authorisation letter ("the Authorisation letter") to PICL under which PICL shall be entitled irrevocably all the rights and benefits of the aforesaid 25% equity interest in HZPS currently held by the Vendor for a period up to the completion date of the registration of the equity transfer (the "Equity Transfer"). The registration of Equity Transfer between the two parties in the government authority of the PRC is being in the progress and expected to be completed on or before 30 June 2019.

Through the execution of the SPA and Authorisation Letter, the equity interest in HZPS held by the Group increased from 25% to 50% and the Group holds more than a majority of the voting rights of HZPS. The management concluded that the Group has control over HZPS and this associate became a subsidiary of the Group since the effective of the Authorisation Letter on 1 September 2017.

Total consideration of the Acquisition comprised cash consideration of RMB178,000,000 and contingent consideration payable estimated to be RMB5,690,000 which was determined based on a certain portion of projected net profit of HZPS for a specified period as defined in the SPA and is expected to be fully settled in or before July 2019. During the three months ended 30 September 2017, cash consideration amounting to RMB138,000,000 was paid and the remaining portion of the cash consideration of RMB40,000,000 is expected to be settled on or before 30 June 2019 and therefore recorded in other non-current liabilities at 30 September 2017.

At 1 September 2017 and at 30 September 2017, the fair value of the contingent consideration payable was RMB5,690,000, which was recorded in a non-current portion of financial liabilities at fair value through profit or loss. There was no change in fair value of contingent consideration payable during the current period.

13. Acquisition of a subsidiary *(continued)*

The following summarises the consideration paid and payable and the amounts of the assets acquired and liabilities assumed, as well as the amount of non-controlling interest recognised at the date of acquisition:

	RMB'000
Consideration:	
Consideration paid in cash	138,000
Consideration payable	40,000
Contingent consideration payable	5,690
Total consideration transferred	183,690
Recognised amounts of identified assert acquired and liabilities assumed:	
Property, plant and equipment	102,959
Prepaid lease payments	46,837
Bank balances and cash	237,194
Trade receivables	40,887
Prepayments and other receivables	99,971
Inventories	29,492
Deferred tax liabilities	(9,842)
Trade payables	(84,075)
Taxation	(5,888)
Other payables and deposits received	(114,415)
Total identifiable net assets	343,120
Non-controlling interests	(171,560)
	171,560
(Less)/Add:	
Transferred from interest previously held and classified as an associate	(78,399)
Gain on re-measurement of an associate to fair value at acquisition date	(7,381)
Goodwill arising from step acquisition	97,910
Total consideration transferred	183,690

	RMB'000
Net cash inflow on acquisition of the subsidiary:	
Consideration paid in cash	(138,000)
Bank balances and cash acquired from the subsidiary	237,194
	99,194

The Group has selected to measure the non-controlling interests at its proportionate interest in the identifiable assets and liabilities of the acquiree.

The Group recognised a gain on step acquisition of RMB7,381,000 as a result of measuring at fair value of its equity interest in HZPS before the business combination. The gain was recognised in other net income in the condensed consolidated income statement.

The goodwill arising from the Acquisition is attributable to the synergies expected to arise from the business combination and future growth and profitability of HZPS. The benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

The fair value and gross contractual amount of the trade and other receivables at the date of acquisition amounted to RMB40,887,000 and RMB93,931,000 respectively. No accounts receivable and other receivables were expected to be uncollectible.

Since the business combination, HZPS has contributed revenue of RMB62,724,000 to the Group while it made no significant contribution to the Group's profit after tax for the period.

If the business combinations effected during the period had been taken place on 1 January 2017, the Group's revenue and profit after tax for the nine months ended 30 September 2017 would have been RMB48,758,542,000 and RMB2,798,944,000 respectively. This proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017.

14. Disposal of subsidiaries

During the period, the Group entered into various sales and purchase agreements with an independent third party to sell the entire equity interests in four subsidiaries namely Chengdu Tingjin Food Co., Ltd., Master Kong (Kunming) Beverage Co., Ltd., Nanchang Tingjin Food Co., Ltd and Jiangmen TingJin Food Co., Ltd. (collectively referred as the "Disposed Subsidiaries") at an aggregate consideration of approximately RMB707,553,000. All the disposals were completed in or before early September 2017. The net assets of the Disposed Subsidiaries at the date of disposal were amounting to approximately RMB663,828,000. As a result, a net gain on disposal of subsidiaries of RMB43,725,000 was recognised in profit or loss and recorded as other net income.

15. 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 2017 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 2017 (Unaudited)				At 31 December 2016 (Audited and restated)			
	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								
Available-for-sale financial assets								
– Investment funds	–	–	388,165	388,165	–	–	487,053	487,053
– Unlisted equity securities	–	–	125,777	125,777	–	–	130,756	130,756
	–	–	513,942	513,942	–	–	617,809	617,809
Liabilities								
Financial liabilities at fair value through profit or loss								
– Contingent consideration payable	–	–	5,690	5,690	–	–	–	–
– Derivatives not designated as hedging instruments	–	72,206	–	72,206	–	152,650	–	152,650
	–	72,206	5,690	77,896	–	152,650	–	152,650

During the nine months ended 30 September 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

15. 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 2017 and 2016 are shown as follows:

	30 September 2017 (Unaudited)			30 September 2016 (Unaudited and restated)		
	Assets		Liabilities	Assets		Liabilities
	Investment Funds *RMB'000*	Unlisted equity securities *RMB'000*	Contingent consideration payable *RMB'000*	Investment Funds *RMB'000*	Unlisted equity securities *RMB'000*	Contingent consideration payable *RMB'000*
At beginning of the period	487,054	130,757	–	391,429	101,295	–
Purchases	–	–	–	40,031	–	–
Disposals	(99,511)	–	–	(25,412)	–	–
At completion day of acquisition	–	–	(5,690)	–	–	–
Total gains or (losses) recognised:						
– in profit or loss	–	–	–	–	–	–
– in other comprehensive income	18,187	–	–	3,797	–	–
Exchange differences	(17,565)	(4,980)	–	10,520	2,754	–
At the end of the reporting period	388,165	125,777	(5,690)	420,365	104,049	–
Total gains or (losses) for the period reclassified from other comprehensive income on disposals	37,047	–	–	12,302	–	–
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

As at 30 September 2017, the Group's available-for-sale financial assets comprise four investment funds which are categorised as Level 3 of the fair value hierarchy (31 December 2016: four Level 3).

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 2016: 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.

15. 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 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) Financial liabilities at fair value through profit or loss – Derivatives not designated as hedging instruments

The fair values of cross-currency interest rate swap contracts and interest rate swap contract, which are categorized as Level 2 of the fair value hierarchy, determined based on the present value of the estimated cash flows based on the terms and maturity of each contract, taking into account the spot interest rates, spot and forward foreign exchange rates and interest rate curves.

(iv) 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 2016.

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 2016, 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 2017 comparing to 31 December 2016.

Valuation processes used in Level 3 fair value measurement

In estimating the fair value of investment fund and unlisted equity securities 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, except for the Unsecured Notes as described in the note 11 to the condensed consolidated financial statements, no other financial assets and liabilities of the Group are carried at amount materially different from their fair values as at 30 September 2017 and 31 December 2016.

16. Capital expenditure commitments

	At 30 September 2017 (Unaudited) *RMB'000*	At 31 December 2016 (Audited and restated) *RMB'000*
Contracted but not provided for:		
Expenditures on investment properties and property, plant and equipment	1,169,867	797,850
Investment funds	126,361	128,554
	1,296,228	926,404

17. 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 2017 (Unaudited) *RMB'000*	January to September 2017 (Unaudited) *RMB'000*	July to September 2016 (Unaudited and restated) *RMB'000*	January to September 2016 (Unaudited and restated) *RMB'000*
(a) Sales of goods to:				
Companies controlled by a substantial shareholder of the Company	53,558	104,529	38,445	101,064
Associates	35,732	98,817	26,393	95,043
Joint ventures	112,638	257,507	112,149	246,633
(b) Purchases of goods from:				
A group of companies jointly controlled by the Company's directors and their dependent	1,500,842	3,751,748	757,936	2,361,719
Joint ventures	17,103	31,179	17,805	50,031

18. Comparative figures

Conforming to current period's presentation, the gross rental income from investment properties of RMB7,006,000 and RMB19,568,000 that were included in other revenue as shown in the condensed consolidated income statement for the three months and nine months ended 30 September 2016 have been reclassified under revenue. In addition, expenses of RMB65,270,000 and RMB322,059,000 that were included in other operating expenses and other net income of RMB248,527,000 and RMB633,492,000 as shown in the condensed consolidated income statement for the three months and nine months ended 30 September 2016 have been reclassified under other net income (expenses). The revised presentation reflects more appropriately the nature of these items. These reclassifications have no effect on the reported financial position, results or cash flows of the Group.

19. Approval of third quarterly financial statements

The third quarterly financial statements of 2017 were approved by the Board of Directors on 13 November 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview Review

In the third quarter of 2017, the overall food and beverage industry showed stable and growth slowly. And prices of raw materials continued to be high and will still be under pressure in short term. Facing a variety of variables from the external environment, the Group will continue to push forward the following prudent strategies: (1) cash is king, well control of capital expenditure and activation on assets; (2) focusing on evergreen and featured products while consolidating its market share through the multiple-tier pricing strategy, and steady progress product upgrade; (3) enhancing brand building, focusing on sales channel construction diversification; and (4) strengthening and building food safety through strict internal and external control.

In response to the trend of market upgrading and the rise of the middle class, and also capitalizing on the opportunity of the 25th anniversary of the birth of Master Kong's "braised beef noodles", the Group has kept its original spirit alive and consolidate hero products, focus on evergreen categories, develop premium products, overcome difficulties in the highly competitive and fast-changing food and beverage market and lead the industry to upgrade.

In the third quarter of 2017, the Group's revenue increased by 8.49% to RMB19,686.6 million yoy (year-on-year compared with the corresponding period in 2016). Revenue from instant noodles and beverages increased by 3.79% and 11.13%, respectively, yoy. Due to the rising prices from key raw material such as sugar, PET resin and paper, the Group's gross profit margin dropped by 0.94 ppt. to 32.50% yoy. Distribution costs represented 16.41% of the revenue for the period and decreased by 2.79 ppt. yoy. EBITDA of the Group increased by 14.03% to RMB3,418.8 million yoy, and EBITDA margin grew by 0.85 ppt. to 17.37% yoy. Benefited by the yoy revenue growth and saving from distribution costs, profit attributable to owners of the Company during the period grew by 29.98% to RMB1,238.1 million. Profit margin attributable to owners was 6.29%, increased by 1.04 ppt. yoy, earnings per share increased by RMB5.09 cents to RMB22.09 cents.

Instant Noodle Business

According to the data from Nielsen, overall sales volume of the instant noodle market grew by 3.3% and sales amount increased by 6.9% in the third quarter of 2017, product mix continued to maintain uptrend. Master Kong instant noodles is on the ongoing of the effective strategy. During the period, the market shares of Master Kong instant noodle in terms of sales volume was 44.2% and sales amount was 50.3%, respectively, ranking No. 1 in the market.

In the third quarter of 2017, the Group's revenue from the instant noodle business was RMB6,707.4 million, which grew by 3.79% yoy, accounting for 34.07% of the total revenue of the Group. During the period, prices of flour and palm oil maintained at high level, the Group has modified product mix and thanked for the growth of sales volume, gross profit margin of instant noodles was increased by 0.57 ppt. to 30.94%. Benefited from the sales growth and improvement of gross profit margin, profit attributable to owners of the Company in the overall instant noodle business increased by 11.38% to RMB626.2 million, profit margin attributable to owners increased by 0.64 ppt. to 9.34% yoy.

High-priced Noodles

High-priced noodles continued to focus on the strategy to consolidate hero products and develop extended products with diversified flavours. In addition to the dissemination of brand activities for the 25th anniversary and the promotion of a variety of interactions with consumers, Braised Series "Commemorative Limited Edition, Custom Dream Threatre" was also launched on the e-commerce platform. Meanwhile, Master Kong focused on health and nutrition issues, carried out sports marketing such as Marathon, CUBA and cooperation with the members of the China Women's Volleyball Team, created the safe and healthy image of instant noodles through combination with sports. With cooking breakfast as the household scene, Master Kong was concerned about how the next generation would grow healthily by extending sport diet health to household diet health. Flavor extended products of the key flavours such as Roasted Pork Ribs/Hot Spareribs/Sauerkraut Chicken/Stewed Spare Ribs with Mushrooms/Prawn Balls/Old Mature & Vinegar Sour & Spicy Ribs/Spicy Cumin Lamb/Roasted Beef/Stir-fired Spareribs have matched with the same flavours and met the diversified demand of consumers with different food ingredients to expand market share. In response to the vine pepper flavor gradually began to popular, Master Kong Ratten Pepper Beef Noodles was launched at the end of September. Ratten pepper oil extracted using the "supercritical fluid extraction" with fructus capsici and pickled chilli deliver richer spicy and fresh notes.

Premium Noodles/Innovative Noodles

In response to the trend of pursuing premium and refined consumption, the boiled broth series (Pepper/Pork Rib/Golden Stock) with "less additives, rich, delicious, healthy, nutritious" as the positioning was successively launched since 2016. The Pork Rib series expanded sales areas in the third quarter with a continued rise in sales. The vine pepper flavour with nutritious bone soup were simultaneously launched, and boiled broth series were continuously well-received by consumers with a steady rise in the overall sales.

With respect to innovative product offerings, DIY Noodles, as a new concept Cook Noodle, complemented with the dense soup pack which restores the natural good taste of a bowl of soup, won the "2017 Instant Food Innovative Prize" at the just concluded instant food conference, and was unanimously praised by industry experts and consumers and established a new benchmark for cook noodles. The product made active efforts in promotion through the e-commerce channel, precisely targeted young metropolitan consumers, strengthened the communication of the "Magic DIY" selling point and built the e-commerce platform for cook noodles.

Mid-end Noodles

Mid-end noodle emphasized the affordable and large-volume demand of the consumer market. In the third quarter, we continued to consolidate its market leadership and meet the large-volume and affordable consumer demand with large-sized noodles (Jin Shuang/Super FuManDuo). Traditional snack noodle "Xiang Bao Cui" cooperated with well-known mobile games by taking advantage of the commencement of the autumn academic term to enhance the crispness/tasty of the product and introduced new flavours.

Beverage Business

According to the data from Nielsen, the beverage industry continued to grow in the third quarter of 2017. During the period, the sales volume and sales amount of the beverage industry in China grew by 11.8% and 12.2%, respectively. The ready-to-drink (RTD) tea (including milk tea) of the Group's beverage business accounted for 51.4% market share in terms of sales volume and continued to secure top ranking position in the market. In terms of sales volume, the fruit juice brands under Master Kong and Pepsi's Tropicana accounted for a market share of 20.2%, ranking No. 2 in the market. Market share for bottled water (including Pepsi's Aquafina) was 15.4%, ranking No. 3 for the time being.

According to the database of GlobalData, in the third quarter of 2017, in terms of sales volume, the overall market share of Pepsi carbonated drinks was 32.2%, increased 0.8 ppt. yoy, ranking No. 2. Market share in terms of sales volume of Pepsi Cola was 50.2% in the cola carbonated drinks market, increased 0.9 ppt., was the No. 1 brand.

In the third quarter of 2017, the overall revenue of the beverage business was RMB12,568.6 million, grew by 11.13% yoy, accounting for 63.84% of the Group's total revenue. During the period, gross profit margin of the beverage business dropped by 1.91 ppt. to 33.45% yoy, mainly due to the price increase from key raw materials, such as sugar, PET resin and paper. Thanked for the revenue yoy growth and saving from advertising and promotion expenses, as a result, profit attributable to owners in the beverage business for the period grew by 51.17% yoy to RMB692.1 million. Profit margin attributable to owners increased by 1.46 ppt. yoy to 5.51%.

RTD Tea

Master Kong continued to maintain its leadership in the RTD tea market while focusing on consolidating the market share of evergreen products and expected to drive the healthy and rapid growth of new products through the market position of evergreen products. "Master Kong Ice Tea" cooperated with the US National Basketball Association (NBA) and joined hands to launch the "Delightful Summit Matchup (巔峰對決燃痛快)" exclusive package for China to revitalize its brand and help more people initiate their basketball dreams. Cooperating with NBC Universal, Master Kong launched the "Minions" limited edition package and strengthened the household consumption market. Through creating different drinking occasions, "Green Tea" fostered young users. Meanwhile, in the light of the consumption trend of fruity green tea, we successfully launched "Pomelo Green Tea" to establish a new performance growth point. The "Jasmine Series" continued its romantic marketing and launched the "Jasmine Romantic Cinema" online event in conjunction with the hot drama, "Once upon a time" (《三生三世》), by leveraging on the back-to-school season. With bottle caps as admission tickets, a cross-platform operation model was constructed to effectively attract young consumers. To meet the opportunity of subdivided tea products, the newly launched "Fruit Tea Story" featuring a selection of fresh fruits with tea, they provide a variety of fruit tea flavour choices to step up efforts in the operation of fruit tea category and create a middle-to-high-end RTD tea market.

Bottled Water

In response to the market demand in introducing multi-price strategy, the beverage business endeavored to position itself in the low-priced bottled water markets with "Master Kong drinking water" and "Aquafina". "Master Kong drinking water" strengthened No. 1 brand in the low-priced water market and was committed to specification diversification operation. With the brand new "National Patent, Eight Processes" certified package, Master Kong showed its care for the family health appeal by filtering out heavy metals in water and further launched the 1.5L six-bottles household package and promoted whole box household consumption. By virtue of a complete factory layout and timely services, Master Kong sent the nationally patented water to every family so that consumers can "drink without worry" so as to meet the demand of the market for household water and build the momentum for future sustainable growth. "Youyue", with the NSF internationally certified high quality, focused on the medium-priced market and achieved excellent results in Shanghai, Beijing and various provinces and high-end cities in China after successful publicity through the hot drama, "Ode to Joy II-The Pure Choice of Andi". "Youyue" enhanced its brand awareness, deployed potential sales channels and received good performance. Meanwhile, became the exclusive drinking water designated for the 2017 "The Belt and Road" Media Cooperation Forum and the cooperative drinking water designated for major NBA events. It was widely recognized by guests both at home and abroad, which successfully laid the foundation for the future development of the brand. Natural mineral water "Han Yang Qu" has effectively established a high-end brand image since its strategic cooperation with Disney.

Carbonated Drinks

"PepsiCo" initiated the peak season strong sales strategy by taking advantage of the back-to-school and dual-festival periods to strengthen specification extension by leveraging the launch of Pepsi Black. Through controlling the demand space and with seizing the drinking occasions as the strategic guidance, outdoor drinking was gradually guided to indoor consumption. PepsiCo launched the "Pepsi Concept Store (百事蓋念店)" event and joined trendy brands and pioneer designers to create limited edition gifts, triggering the craze of "Drink Pepsi, Redeem Trendy Products". Through continued branding and marketing, "Mirinda" cooperated with Tencent WeGame (騰訊遊戲) to carry out the "Winning Gift Packs Worth One Hundred Million Dollars by Scanning the Code (一碼橫掃刷爆億元遊戲禮包)" event to support the launch of Tencent WeGame (騰訊遊戲)'s limited can and create the "Guo Ran Hui Wan (果然會玩)" brand image. "7-up" stepped up efforts in sales promotion and drove sales through the launch of ambassador commercial, retro can and special drink promotion so as to effectively secure its market share.

Juice Drinks

Juice drink business performed well in this quarter, benefiting from accurate market positioning, and continued to consolidate its leading position in Chinese style juice drinks and expanded the Western juice drink market through focusing on distinctive flavours and catering channel penetration. The Chinese style juice drink, "Traditional Fruit Mix Sour Plum", cooperated with a well-known takeaway platform by forming a strategic alliance. By virtue of its popularity among young men and women through the online marketing of "Chinese Dietary Classics", it continued the concept of drinking sour plum soup for cutting the grease and high growth dynamics. Brand figures such as "Qing Prince. Run Princess" were successfully launched at "Nourishing Comes! (清潤駕到)", an annual event of "Rock Candy Pear". The promotion of "Being Nourishing is Required for Consuming Spicy Food (吃香喝辣需清潤)" eating spicy food together with rock candy pear was carried on and catering channel penetration was enhanced to increase sales. The trendy brand of "Light Fruit series" led market development with unique and innovative blending and matching technology and formed the new generation of brand marketing models. The new flavor "Litchi and green coconut" of "Tropicana" was sold well after it was launched. Meanwhile, TetraPak was introduced to enrich the product packaging specification.

Functional Drinks/Probiotics Drinks/Coffee Drinks

Capitalizing on the national bodybuilding boom, "Gatorade" cooperated with several well-known online sports software to enhance consumers' awareness of sports education, and at the same time, enhanced its brand awareness through the "NBA China" online and offline joint marketing program to establish a professional sports drink brand image.

"Wei Chuan Ambient Probiotics Drink" implemented upgrading and expansion and achieved upgrading with new European strains and packaging. Apart from successfully driving sales growth in the Yangtze River Delta and Shanghai, this was extended to the whole country, exhibiting double-digit healthy growth.

Bottled Frappuccino produced in cooperation with "Starbucks" continued to expand sales points in the third quarter and actively developed various types of specialty channels based on the characteristics of coffee drinks. In addition to the flavours which were already well-received by consumers, the market response to new products such as "Matcha Frappuccino" and "Black Tea Frappuccino" was also very good since their launch, which successfully promoted the Starbucks brand to the RTD tea market. In addition, in response to the coming of the peak season in summer, "Coconut Mocha Frappuccino" with a limited supply in summer was also launched in July by taking advantage of the favourable situation, which brought the successful experience of limited time offer in Starbucks retail stores to the RTD market.

Meanwhile, the beverage business leveraged "Benrachon" to continue to expand the room temperature mid-high-priced RTD coffee market and produced "Masterpiece" tasting grade coffee using advanced extraction technology, and launched the four flavours of "Classic Italian", "Classic Mandheling", "Matcha Latte" and "Coffee Latte" with a priority focus on modern channels in Beijing, Shanghai, the Yangtze River Delta and the Pear River Delta. Sales continued to rise since their launch in July, which demonstrated their potential for nationwide development.

Instant Food Business

According to the updated data from Nielsen, overall sales volume of the biscuit market for the third quarter of 2017 decreased by 2.4% yoy, sales amount increased by 1.1% yoy. In terms of sales amount, the market share of Master Kong egg rolls was 14.8%, ranked No. 1 in the market. The market share of sandwich crackers was 13.8%, ranked No. 2 in the market.

In the third quarter of 2017, revenue of the instant food business was RMB230.5 million, which dropped by 0.56% yoy and amounted to 1.17% of the Group's revenue. Gross profit margin dropped 1.13 ppt. to 35.90%. Thanked for the savings from distribution costs, the profit attributable to owners of instant food business grew by 148.17% yoy to RMB3.763 million.

The instant food business continued to improve overall operation during the period, focused on the core operation of cakes and crackers, optimized modern channel management and improved supply chain design to respond to changes in the market environment with flexibility.

During the period, "Master Kong's 3+2 soda sandwich crackers" continued to boost "sachet pack" sales and strengthened efforts in meeting specifications to cater to the demand of consumers for convenience. To seize the Mid-Autumn Festival gift pack market, Master Kong's egg rolls launched a series of gift pack products with the theme of "Gifts with Peace of Mind, Aroma for You (安心予禮,香濃予你)" to cater to the festive demand of different consumers for different price ranges. The new product breakfast cake of the muffin series continued to aim at enhancing the healthy breakfast of the middle class in cities and constantly and actively boosted sales, so that the diet is balanced, thus opening a wonderful day for consumers.

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. As at 30 September 2017, the Group's bank balances and cash totalled RMB13,751.5 million, an increase of RMB3,519.7 million from 31 December 2016. A sufficient amount of cash holding was still maintained. As at 30 September 2017, the Group's total assets and total liabilities amounted to approximately RMB58,864.9 million and RMB36,404.4 million respectively. This showed increases in RMB2,343.9 million and RMB3,984.0 million respectively compared to 31 December 2016. The debt ratio increased by 4.48 ppt. to 61.84% compared to 31 December 2016. Gearing ratio was -0.18 times, 0.5 ppt. lower than the ratio as at 31 December 2016.

As at 30 September 2017, the Group's total interest bearing borrowings was RMB10,939.3 million which decreased by RMB5,104.6 million from 31 December 2016. In the interim, the Group has repaid 500 million listed US$ notes (equivalent to RMB3,383.6 million) and 1 billion unlisted RMB notes in June and July 2017 respectively. At the end of the period, the Group's proportion of the total borrowings denominated in foreign currencies and Renminbi were 65% and 35% respectively, as compared to 72% and 28% respectively as at 31 December 2016. The proportion between the Group's long-term borrowings and short-term borrowings was 45% and 55% respectively, as compared to 43% and 57% respectively as at 31 December 2016. In line with the Group's overall strategy of cash being the king, Master Kong has implemented sound control over capital expenditure and has effectively promoted light asset and asset activation, which is expected to generate stable cash inflows. During the period, the Group sold the entire equity interests in four subsidiaries under the Group's beverage business to an independent third party, realised a net cash inflow of RMB663.1 million. In the future, the Group will continue to gradually reduce the size of interest-bearing borrowings with its own funds so as to achieve more flexible and healthier financial structure objectives and further improve the operational basis.

During the period, Renminbi appreciated against US dollar by 3.81%, due to the fluctuation of exchange rate, realized/unrealized exchange gains of RMB9.21 million has been recognized in the Group's income statement from January to September 2017.

Financial Ratio

	As at 30 September 2017	As at 31 December 2016
Finished goods turnover	10.65 Days	11.58 Days
Trade receivables turnover	11.02 Days	10.23 Days
Current ratio	0.89 Times	0.72 Times
Debt ratio (Total liabilities to total assets)	61.84%	57.36%
Gearing ratio (Net debt to equity attributable to owners of the Company)	-0.18 Times	0.32 Times

HUMAN RESOURCES

As at 30 September 2017, the Group had 58,380 employees. In respect of talent development, we customize personal development plans for medium and high level management staff and introduce the mentor and coach mechanism with the purpose of nurturing talents. Meanwhile, we continue to the high potential talent development project with China Europe International Business School (CEIBS) and Shanghai Jiao Tong University to optimize the strategic talent development mechanism and focus on higher-level talent nurturing. With respect to cooperation between schools and the enterprise, all management trainees recruited through the 2017 Dream Plan have completed induction training and begun job rotation training and study. Through continued and in-depth cooperation with top higher education institutions at home and abroad, the Group supplies resources for the future talent development strategy.

CORPORATE SOCIAL RESPONSIBILITY

Master Kong actively supports food safety activities. It was the third year that Master Kong had exclusively sponsored "Food Safety Education Public Welfare Competition (食品安全科普創新公益大賽)" activities guided by the State Food and Drug Administration to encourage students to join the team of science popularization so as to enhance the food safety literacy of college groups. Master Kong Northeast District organized the "transparent factory" activity and invited the small reporter group, children's welfare home, family members and employees' of dealer partners in Shenyang for a visit so that more friends could understand the production process and food safety control at Master Kong's factories. As for emergency relief, during the earthquake relief in Jiuzhaigou County, Aba Prefecture, Sichuan in August, Master Kong donated goods and materials to the disaster area at the first time. An earthquake relief team comprising 12 employees of Master Kong went to the front line to offer aids to the disaster area with practical actions.

To support students with determination to pursue their studies, Master Kong has established the "Master Kong Dream Scholarship Project" to sponsor outstanding students from Peking University, Tsinghua University, Fudan University, Shanghai Jiao Tong University and Zhejiang University to Japan Waseda University for exchange program. Through inspiration and practical of the "Dream Plan", students will be inspire to pay attention to and think about the connection of the environment in which they live and themselves as well as the social responsibility they shoulder and hope that they will make the world become even better with their influence. Since September 2016, three batches of a total of 58 students went to Japan for the exchange program.

PROSPECTS

In the face of issues such as the rapid change of China's development mode and the adjustment of a long-term slowdown in economic growth in connection with the overall economic structure, a short-term rise in raw material costs, industrial upgrade and fast-changing consumer demand, the Group's gross profit will remain under pressure in the short term. However, as an industry leader, Master Kong will continue to promote the sustainable development of the industry in this ever-changing era and is committed to building a more brilliant future for the industry.

At this important milestone of the 25th anniversary of Master Kong this year, we will unswervingly set the direction, consolidate the strategy of reform and development, focus on the core business and expand the market share of core products. We will improve free cash flow, towards the strategic direction of a multi-price range product mix, and at the same time, innovate the development strategy. As for the issue of profit being under pressure, we will implement the following three rationalizations to work for the sustainable and healthy development of the Company and provide healthy, safe and high-quality products to consumers.

1. With respect to supply chain configuration rationalisation, to meet the demand for consumer upgrade and product diversification, explore the potential of supply chain rationalisation through production and sales coordination and optimization and capacity allocation adjustment, effectively promote the light assets and asset activation work;

2. With respect to wholesaler channel layout rationalisation, in order to comply with the rapid development of channel fragmentation and trigger more diversified channel construction and operation optimization, leverage the force of the way to effectively achieve a win-win situation;

3. With respect to organisational design and cost rationalisation, simplify management and precise cost control through the organization flattening coupled with a variety of initiatives including diverse technological upgrade and process optimization, promote service sharing mechanism and organization optimization, leverage the platform effect and synergy, continue to develop multi-brand and multi-product cooperation opportunities to achieve win-win.

CORPORATE GOVERNANCE

The Company has, throughout the period ended 30 September 2017, 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 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 monitor, risk assessment, control, information and communication, and monitor and assessment. It is expected that the 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, which ensures the reliability of financial report while complies with the requirements of national regulations.

The audit committee will assist the Board to review 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 responsibility and authorization. As of 30 September 2017, we completed the improvement and compliance control of internal control diagnosis and approval authorization including 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 review period.

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 reporting period.

SHARE OPTION SCHEME

At the extraordinary general meeting of the Company held on 20 March 2008, the shareholders approved the adoption of the share option scheme (the "Share Option Scheme"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. 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$)
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 2017 pursuant to the Share Option Scheme: (Table B)

				Number of share option						
Name	Date of grant	Exercise price HK$	Closing price of the shares on the date of grant HK$	Balance as at 1 January 2017	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Balance as at 30 September 2017	Weighted average closing price immediately before exercise HK$	Note
Executive Director										
Wei Ing-Chou	20 March 2008	9.28	8.55	2,000,000	—	—	—	2,000,000	—	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	20.54	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	20 March 2008	9.28	8.55	2,564,000	—	476,000	—	2,088,000	11.22	Table A (1)
	22 April 2009	9.38	9.37	9,884,000	—	616,000	—	9,268,000	10.63	Table A (2)
	1 April 2010	18.57	18.42	9,651,000	—	—	1,105,000	8,546,000	—	Table A (3)
	12 April 2011	19.96	19.96	12,694,000	—	—	1,896,000	10,798,000	—	Table A (4)
	26 April 2012	20.54	20.54	7,530,000	—	—	838,000	6,692,000	—	Table A (5)
	27 May 2013	20.16	20.05	7,744,000	—	—	156,000	7,588,000	—	Table A (6)
	17 April 2014	22.38	22.35	8,886,000	—	—	246,000	8,640,000	—	Table A (7)
	5 June 2015	16.22	15.92	12,368,000	—	—	418,000	11,950,000	—	Table A (8)
	4 July 2016	7.54	7.54	5,848,000	—	—	—	5,848,000	—	Table A (9)
	21 April 2017	10.20	10.20	—	5,420,000	—	—	5,420,000	—	Table A (10)
Total				101,553,000	11,420,000	1,092,000	4,659,000	107,222,000		

For the period of nine months ended 30 September 2017, 1,092,000 options had been exercised under the Share Option Scheme. Weighted average exercise price was HK$9.34 and the weighted average market closing price before the date of exercise was HK$10.89.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE OFFICER IN SHARES

As at 30 September 2017, 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 Beneficial owner (Note 2)	Percentage of the issued share capital
Directors					
Wei Ing-Chou	13,242,000	1,882,927,866	33.83%	15,250,000	0.27%
Wei Hong-Ming	—	1,882,927,866	33.59%	1,000,000	0.02%
Lin Chin-Tang	554,000	—	0.01%	776,000	0.01%
Chief Executive Officer					
James Chun-Hsien Wei	—	—	—	12,358,000	0.22%

(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.	232,645 shares	22.10%	Corporate
Wei Hong-Ming	Tingyi-Asahi Beverages 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 Itochu Corporation, 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's family members as discretionary objects;

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

   — Wei Tu Miao is the settlor of one of the above discretionary trusts with Wei Tu Miao's 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 B on page 27) under the share option scheme of the Company passed by an extraordinary general meeting of the Company held on 20 March 2008. Wei Chang Lu-Yun, being the spouse of Wei Ing-Chou, is also deemed to be interested in the shares and the underlying shares held by Wei Ing-Chou.

   Lin Chin-Tang is also personally interested in 554,000 shares and holds 776,000 share options (details shown as Table B on page 27) under the share option scheme of the Company passed by an extraordinary general meeting of the Company held on 20 March 2008.

   Wei Hong-Ming holds 1,000,000 share options (details shown as Table B on page 27) under the share option scheme of the Company passed by an extraordinary general meeting of the Company held on 20 March 2008.

   James Chun-Hsien Wei holds 12,358,000 share options (details shown as Table B on page 27) under the share option scheme of the Company passed by an extraordinary general meeting of the Company held on 20 March 2008.

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 period ended 30 September 2017 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 2017, 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 2017, 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:

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)	33.59
Ho Te Investments Limited (see note 1)^	Interest of controlled company	1,882,927,866 (L)	33.59
Rich Cheer Holdings Limited (see note 1)^	Interest of controlled company	1,882,927,866 (L)	33.59
Profit Surplus Holdings Limited (see note 1)^	Trustee of a unit trust	1,882,927,866 (L)	33.59
HSBC International Trustee Limited (see note 1)^	Trustee of discretionary trusts	1,882,927,866 (L)	33.59
Wei Chang Lu-Yun (see notes 1 & 2)^	Settlor of a discretionary trust	1,911,419,866 (L)	34.10
Lin Li-Mien (see note 1)^	Settlor of a discretionary trust	1,882,927,866 (L)	33.59
Wei Hsu Hsiu-Mien (see note 1)^	Settlor of a discretionary trust	1,882,927,866 (L)	33.59
Wei Tu Miao (see note 1)^	Settlor of a discretionary trust	1,882,927,866 (L)	33.59
Sanyo Foods Co., Ltd.	Beneficial owner	1,882,927,866 (L)	33.59

^: Note 1 and 2 are set out on page 29

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 2017.

BOARD OF DIRECTORS

Update on Directors' information under rule 13.51B(1) of the Listing Rules

Changes of Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Mr. Wu Chung-Yi has resigned as Executive Director of the Company with effect from 4 August 2017.

Mr. Lin Chin-Tang has been appointed as an Executive Director of the Company with effect from 4 August 2017.

Saved as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 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, 13 November 2017

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

* *For identification purpose only*