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

2018
First 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 31 March 2018	2017	Change
•	Revenue	15,037,064	14,197,639	↑ 5.91%
•	Gross margin	29.66%	28.04%	↑ 1.62 ppt.
•	Gross profit of the Group	4,459,790	3,980,784	↑ 12.03%
•	EBITDA	1,815,459	1,732,618	↑ 4.78%
•	*EBITDA	1,940,634	1,732,618	↑ 12.01%
•	Profit for the period	715,059	474,867	↑ 50.58%
•	Profit attributable to owners of the Company	712,062	433,504	↑ 64.26%
•	Earnings per share (RMB cents)			
	Basic	12.68	7.73	↑ 4.95 cents
	Diluted	12.65	7.73	↑ 4.92 cents

At 31 March 2018, cash and cash equivalents was RMB14,349.464 million, an increase of RMB4,064.575 million when compared to 31 December 2017. Gearing ratio was -9.75%.

*EBITDA: If the effects of the income of activation on assets and the provision of impairment losses on machinery and equipment are excluded, EBITDA of the Group in the first quarter of 2018 increased by 12.01% to RMB1,941 million yoy, and EBITDA margin increased by 0.71 ppt. to 12.91% yoy.

2018 FIRST 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 three months ended 31 March 2018 together with the comparative figures for the corresponding period in 2017. These unaudited condensed consolidated first quarterly financial statements have been reviewed by the audit committee of the Company (the "Audit Committee").

CONDENSED CONSOLIDATED INCOME STATEMENT
For the Three Months Ended 31 March 2018

	Note	For the three months ended 31 March 2018 (Unaudited) *RMB'000*	2017 (Unaudited) *RMB'000*
Revenue	2	15,037,064	14,197,639
Cost of sales		(10,577,274)	(10,216,855)
Gross profit		4,459,790	3,980,784
Other revenue		79,379	54,582
Other net income (expenses)		573,969	134,249
Distribution costs		(2,729,750)	(2,612,198)
Administrative expenses		(626,416)	(514,402)
Other operating expenses		(762,508)	(233,638)
Finance costs	5	(114,921)	(130,924)
Share of results of associates and joint ventures		43,301	48,835
Profit before taxation	5	922,844	727,288
Taxation	6	(207,785)	(252,421)
Profit for the period		715,059	474,867
Profit attributable to:			
Owners of the Company		712,062	433,504
Non-controlling interests		2,997	41,363
Profit for the period		715,059	474,867
Earnings per share	7		
Basic		RMB12.68 cents	RMB7.73 cents
Diluted		RMB12.65 cents	RMB7.73 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Three Months Ended 31 March 2018

	For the three months ended 31 March	
	2018	**2017**
	(Unaudited)	**(Unaudited)**
	RMB'000	*RMB'000*
Profit for the period	715,059	474,867
Other comprehensive income (loss)		
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences on consolidation	282,776	53,341
Fair value changes in available-for-sale financial assets	—	(930)
Reclassification adjustments relating to available-for-sale financial assets disposed of during the period	—	(7,345)
Other comprehensive income for the period	282,776	45,066
Total comprehensive income for the period	997,835	519,933
Total comprehensive income attributable to:		
Owners of the Company	974,905	483,922
Non-controlling interests	22,930	36,011
	997,835	519,933

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2018

	Note	At 31 March 2018 (Unaudited) *RMB'000*	At 31 December 2017 (Audited) *RMB'000*
ASSETS			
Non-current assets			
Investment properties		1,106,000	1,106,000
Property, plant and equipment		26,946,576	28,014,779
Prepaid lease payments		3,699,568	3,730,767
Intangible asset		175,222	162,936
Goodwill		97,910	97,910
Interest in associates		126,084	120,568
Interest in joint ventures		698,476	660,691
Financial assets at fair value through profit or loss		488,415	–
Financial assets at fair value through other comprehensive income		126,271	–
Available-for-sale financial assets		–	638,526
Other non-current assets		317,964	317,964
Deferred tax assets		471,565	308,010
		34,254,051	35,158,151
Current assets			
Financial assets at fair value through profit or loss		15,968	–
Inventories		2,636,508	2,396,941
Trade receivables	9	1,754,332	1,636,385
Tax recoverable		–	23,393
Prepayments and other receivables		3,932,908	4,599,397
Pledged bank deposits		87,214	58,312
Bank balances and cash		14,262,250	10,226,577
		22,689,180	18,941,005
Total assets		56,943,231	54,099,156

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2018

	Note	At 31 March 2018 (Unaudited) *RMB'000*	At 31 December 2017 (Audited) *RMB'000*
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	10	235,167	235,053
Share premium		647,594	611,736
Reserves		18,538,547	17,565,290
Total capital and reserves attributable to owners of the Company		19,421,308	18,412,079
Non-controlling interests		3,904,895	3,881,965
Total equity		23,326,203	22,294,044
Non-current liabilities			
Financial liabilities at fair value through profit or loss		5,258	5,258
Long-term interest-bearing borrowings	11	6,424,301	6,608,953
Other non-current liabilities		40,000	40,000
Employee benefit obligations		99,310	101,226
Deferred tax liabilities		1,038,415	1,070,026
		7,607,284	7,825,463
Current liabilities			
Trade payables	12	8,543,057	7,119,423
Other payables and deposits received		7,882,714	7,417,032
Current portion of interest-bearing borrowings	11	6,031,727	7,775,320
Financial liabilities at fair value through profit or loss		—	37,448
Advance payments from customers		3,155,339	1,284,590
Taxation		396,907	345,836
		26,009,744	23,979,649
Total liabilities		33,617,028	31,805,112
Total equity and liabilities		56,943,231	54,099,156
Net current assets (liabilities)		(3,320,564)	(5,038,644)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Three Months Ended 31 March 2018

	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	234,767	523,278	17,365,495	18,123,540	5,977,039	24,100,579
Profit for the period	–	–	433,504	433,504	41,363	474,867
Other comprehensive income (loss):						
Exchange differences on consolidation	–	–	58,693	58,693	(5,352)	53,341
Fair value changes in available-for-sale financial assets	–	–	(930)	(930)	–	(930)
Reclassification adjustments relating to available-for-sale financial assets disposed of during the period	–	–	(7,345)	(7,345)	–	(7,345)
Total other comprehensive income (loss)	–	–	50,418	50,418	(5,352)	45,066
Total comprehensive income for the period	–	–	483,922	483,922	36,011	519,933
Transactions with owners:						
Contributions and distribution						
Equity settled share-based transactions	–	–	14,614	14,614	–	14,614
Total transactions with owners	–	–	14,614	14,614	–	14,614
At 31 March 2017	234,767	523,278	17,864,031	18,622,076	6,013,050	24,635,126

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Three Months Ended 31 March 2018

	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 2018	235,053	611,736	17,565,290	18,412,079	3,881,965	22,294,044
Profit for the period	–	–	712,062	712,062	2,997	715,059
Other comprehensive income:						
Exchange differences on consolidation	–	–	262,843	262,843	19,933	282,776
Total other comprehensive income	–	–	262,843	262,843	19,933	282,776
Total comprehensive income for the period	–	–	974,905	974,905	22,930	997,835
Transactions with owners:						
Contributions and distribution						
Equity settled share-based transactions	–	–	7,439	7,439	–	7,439
Shares issued under share option scheme	114	35,858	(9,087)	26,885	–	26,885
Total transactions with owners	114	35,858	(1,648)	34,324	–	34,324
At 31 March 2018	235,167	647,594	18,538,547	19,421,308	3,904,895	23,326,203

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Three Months Ended 31 March 2018

	January to March 2018 (Unaudited) *RMB'000*	January to March 2017 (Unaudited) *RMB'000*
OPERATING ACTIVITIES		
Cash generated from operations	5,658,355	4,848,948
The People's Republic of China ("PRC") enterprise income tax paid	(328,301)	(510,272)
Interest paid	(114,169)	(126,782)
Net cash from operating activities	5,215,885	4,211,894
INVESTING ACTIVITIES		
Interest received	79,379	54,582
Purchase of property, plant and equipment	(477,604)	(271,779)
Prepaid lease payments	(12,738)	(5,408)
Net cash inflow on disposal of a subsidiary	284,987	–
Net movement of amount due from former subsidiaries	470,000	–
Others	67,776	14,136
Net cash from (used in) investing activities	411,800	(208,469)
FINANCING ACTIVITIES		
Proceeds from bank and other borrowings	970,833	2,524,871
Repayments of bank and other borrowings	(2,536,112)	(1,965,504)
Others	26,885	–
Net cash (used in) from financing activities	(1,538,394)	559,367
Net increase in cash and cash equivalents	4,089,291	4,562,792
Cash and cash equivalents at 1 January	10,284,889	10,231,812
Effect on exchange rate changes	(24,716)	(1,520)
Cash and cash equivalents at 31 March	14,349,464	14,793,084
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	14,262,250	14,687,054
Pledged bank deposits	87,214	106,030
	14,349,464	14,793,084

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 first quarterly financial statements. These condensed consolidated first 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 first quarterly financial statements should be read in conjunction with the 2017 annual financial statements. The accounting policies adopted in preparing the condensed consolidated first quarterly financial statements for the three months ended 31 March 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 instruments 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 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:

		Measurement category		Carrying amount	
	Note	**Original (HKAS 39)**	**New (HKFRS 9)**	**Original** *RMB'000*	**New** *RMB'000*
Financial assets					
Investment funds	(a)	Available for sale	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:

	Note	January to March 2018 (Unaudited) *RMB'000*	January to March 2017 (Unaudited) *RMB'000*
Revenue from contracts with customers	2(a)	15,019,311	14,182,497
Revenue from other sources - Rental income from investment properties		17,753	15,142
		15,037,064	14,197,639

2(a). Disaggregation of revenue

	For the Three Months ended 31 March 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	6,307,738	–	–	–	6,307,738
Sales on beverages	–	8,351,070	–	–	8,351,070
Sales on bakery	–	–	211,045	–	211,045
Transportation	–	–	–	274,569	274,569
Others	–	–	–	202,161	202,161
	6,307,738	8,351,070	211,045	476,730	15,346,583
Less: Elimination	(244)	(117)	(97)	(326,814)	(327,272)
	6,307,494	8,350,953	210,948	149,916	15,019,311
Timing of revenue recognition:					
Products transferred at a point in time	6,307,494	8,350,953	210,948	149,916	15,019,311

	For the Three Months ended 31 March 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	5,810,953	–	–	–	5,810,953
Sales on beverages	–	7,982,037	–	–	7,982,037
Sales on bakery	–	–	218,612	–	218,612
Transportation	–	–	–	209,567	209,567
Others	–	–	–	194,983	194,983
	5,810,953	7,982,037	218,612	404,550	14,416,152
Less: Elimination	(157)	(30)	(85)	(233,383)	(233,655)
	5,810,796	7,982,007	218,527	171,167	14,182,497
Timing of revenue recognition:					
Products transferred at a point in time	5,810,796	7,982,007	218,527	171,167	14,182,497

3. Segment information

Segment results

	For the Three Months ended 31 March 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 contracts with customers	6,307,494	8,350,953	210,948	149,916	–	15,019,311
Revenue from other sources	–	–	–	17,753	–	17,753
Inter-segment revenue	244	117	97	351,772	(352,230)	–
Segment revenue	6,307,738	8,351,070	211,045	519,441	(352,230)	15,037,064
Segment results after finance cost	614,114	(73,137)	613	339,275	167	881,032
Share of results of associates and joint ventures	62	43,821	(582)	–	–	43,301
Unallocated expenses, net	–	–	–	(1,489)	–	(1,489)
Profit (loss) before taxation	614,176	(29,316)	31	337,786	167	922,844
Taxation	(174,491)	(24,709)	(2,000)	(6,585)	–	(207,785)
Profit (loss) for the period	439,685	(54,025)	(1,969)	331,201	167	715,059

	For the Three Months ended 31 March 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 contracts with customers	5,810,796	7,982,007	218,527	171,167	–	14,182,497
Revenue from other sources	–	–	–	15,142	–	15,142
Inter-segment revenue	157	30	85	258,631	(258,903)	–
Segment revenue	5,810,953	7,982,037	218,612	444,940	(258,903)	14,197,639
Segment results after finance cost	539,254	124,727	(2,612)	8,640	4,334	674,343
Share of results of associates and joint ventures	–	50,428	(1,593)	–	–	48,835
Unallocated income, net	–	–	–	4,110	–	4,110
Profit (loss) before taxation	539,254	175,155	(4,205)	12,750	4,334	727,288
Taxation	(146,220)	(99,360)	–	(6,841)	–	(252,421)
Profit (loss) for the period	393,034	75,795	(4,205)	5,909	4,334	474,867

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 31 March 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*
Segment assets	19,570,107	31,127,651	791,182	5,270,487	(1,255,442)	55,503,985
Interest in associates	–	124,850	1,234	–	–	126,084
Interest in joint ventures	250	651,318	46,908	–	–	698,476
Unallocated assets						614,686
Total assets						56,943,231
Segment liabilities	8,421,702	18,720,655	263,138	7,838,292	(1,726,069)	33,517,718
Unallocated liabilities						99,310
Total liabilities						33,617,028

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					
	Instant noodles (Audited) *RMB'000*	**Beverages (Audited)** *RMB'000*	**Instant food (Audited)** *RMB'000*	**Others (Audited)** *RMB'000*	**Inter-segment elimination (Audited)** *RMB'000*	**Total (Audited)** *RMB'000*
Segment assets	19,867,771	28,311,010	886,653	8,267,381	(4,653,444)	52,679,371
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						54,099,156
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						31,805,112

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:

	For the three months ended 31 March	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Finance costs		
Interest on bank and other borrowings wholly repayable within five years	106,413	121,850
Interest on bank and other borrowings wholly repayable over five years	8,508	9,074
	114,921	130,924
Other items		
Depreciation	829,446	904,529
Amortisation	27,627	24,459
Impairment loss of property, plant and equipment (included in other operating expenses)	540,251	11,005

6. Taxation

	For the three months ended 31 March	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax – the PRC Enterprise income tax		
Current period	353,227	217,704
Deferred taxation		
Origination and reversal of temporary differences, net	(165,340)	7,506
Effect of withholding tax on the distributable earnings of the Group's PRC subsidiaries	19,898	27,211
Total tax charge for the period	207,785	252,421

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 three months ended 31 March 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

	For the three months ended 31 March 2018 (Unaudited)	2017 (Unaudited)
Profit attributable to ordinary shareholders (RMB'000)	712,062	433,504
Weighted average number of ordinary shares ('000)	5,616,026	5,604,501
Basic earnings per share (RMB cents)	12.68	7.73

(b) Diluted earnings per share

	For the three months ended 31 March 2018 (Unaudited)	2017 (Unaudited)
Profit attributable to ordinary shareholders (RMB'000)	712,062	433,504
Weighted average number of ordinary shares (diluted) ('000)		
Weighted average number of ordinary shares	5,616,026	5,604,501
Effect of the Company's share option scheme	11,091	1,553
Weighted average number of ordinary shares for the purpose of calculated diluted earnings per share	5,627,117	5,606,054
Diluted earnings per share (RMB cents)	12.65	7.73

8. Dividend

The Board of Directors does not recommend the payment of a quarterly dividend for the three months ended 31 March 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 31 March 2018 (Unaudited) *RMB'000*	At 31 December 2017 (Audited) *RMB'000*
0 - 90 days	1,644,601	1,517,678
Over 90 days	109,731	118,707
	1,754,332	1,636,385

10. Issued capital

	At 31 March 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	3,601,000	18	114	8,728,000	44	286
At the end of the reporting period	5,616,830,360	28,085	235,167	5,613,229,360	28,067	235,053

During the reporting period, 3,601,000 options were exercised to subscribe for 3,601,000 ordinary shares of the Company at a total consideration of RMB26,885,000 of which RMB114,000 was credited to share capital and the balance of RMB26,771,000 was credited to the share premium account. In addition, RMB9,087,000 has been transferred from the share-based payment reserve to the share premium account.

11. Interest-bearing borrowings

	At 31 March 2018 (Unaudited) *RMB'000*	At 31 December 2017 (Audited) *RMB'000*
The maturity of the interest bearing borrowings:		
Within one year	6,031,727	7,775,320
In the second year	3,379,566	3,506,766
In the third year to the fifth years, inclusive	2,591,807	2,635,937
Over five years	452,928	466,250
	12,456,028	14,384,273
Portion classified as current liabilities	(6,031,727)	(7,775,320)
Non-current portion	6,424,301	6,608,953

The interest-bearing borrowings consist of unsecured bank loans and notes payable with maturity within one year (2017: in the second year). 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 RMB998,997,000 (2017: RMB998,244,000). The RMB Notes are listed on the Singapore Exchange Securities Trading Limited. The fair value of the RMB Notes as at 31 March 2018 was RMB998,500,000 (2017: RMB999,330,000).

During the three months ended 31 March 2018, the Group obtained bank loans in aggregate amount of RMB970,833,000 (2017: RMB2,524,871,000) and recognised amortised interest of the RMB Notes and other unsecured notes for an aggregate amount of RMB753,000 (2017: RMB4,136,000). Repayments of bank loans amounting to RMB2,536,112,000 (2017: RMB1,965,504,000) 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 31 March 2018 (Unaudited) *RMB'000*	At 31 December 2017 (Audited) *RMB'000*
0 - 90 days	7,933,826	6,335,339
Over 90 days	609,231	784,084
	8,543,057	7,119,423

13. Disposal of a subsidiary

During the period, the Group entered into a sales and purchase agreement with an independent third party to sell the entire equity interest in a wholly-owned subsidiary at a consideration of approximately RMB307,173,000. The subsidiary was principally engaged in leasing and property management. The disposal was completed in March 2018. The net liabilities of such subsidiary at the date of disposal were amounting to approximately RMB83,896,000. As a result, the surplus on disposal of a subsidiary of RMB391,069,000 was recognised in profit or loss and recorded as other net income (expenses).

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 31 March 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 31 March 2018 (Unaudited)				At 31 December 2017 (Audited)			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets								
Available-for-sale financial assets								
– Investment funds	–	–	–	–	–	–	504,359	504,359
– Equity securities	–	–	–	–	–	–	110,722	110,722
Financial assets at fair value through profit or loss								
– Investment funds	–	–	486,995	486,995	–	–	–	–
– Equity securities	1,420	–	–	1,420	–	–	–	–
– Derivatives not designated as hedging instruments	–	15,968	–	15,968	–	–	–	–
Financial assets at fair value through other comprehensive income								
– Equity securities	–	–	126,271	126,271	–	–	–	–
	1,420	15,968	613,266	630,654	–	–	615,081	615,081
Liabilities								
Financial liabilities at fair value through profit or loss								
– Contingent consideration payable	–	–	5,258	5,258	–	–	5,258	5,258
– Derivatives not designated as hedging instruments	–	–	–	–	–	37,448	–	37,448
	–	–	5,258	5,258	–	37,448	5,258	42,706

14. Fair Value Measurements *(continued)*

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

During the three months ended 31 March 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.

The details of the movements of the recurring fair value measurements categorised as Level 3 of the fair value hierarchy for the three months ended 31 March 2018 and 2017 are shown as follows:

	31 March 2018 (Unaudited)			**31 March 2017 (Unaudited)**		
	Assets		**Liabilities**	**Assets**		**Liabilities**
	Investment Funds *RMB'000*	**Equity securities** *RMB'000*	**Contingent consideration payable** *RMB'000*	**Investment Funds** *RMB'000*	**Equity securities** *RMB'000*	**Contingent consideration payable** *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	–	–	–	–
Disposals	(1,670)	(1,958)	–	(14,174)	–	–
Total gains or (losses) recognised:						
– in profit or loss	2,869	–	–	–	–	–
– in other comprehensive income	–	–	–	(930)	–	–
Exchange differences	(18,563)	(4,464)	–	(3,350)	(900)	–
At the end of the reporting period	486,995	126,271	(5,258)	468,600	129,857	–
Total gains or (losses) for the period reclassified from other comprehensive income on disposals	–	–	–	7,345	–	–
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	2,869	–	–	–	–	–

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

14. Fair Value Measurements *(continued)*

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

Sensitivity to changes in significant unobservable inputs

In the opinion of the directors, the impact of changes in significant unobservable inputs on the Level 3 fair value measurement and the Group's profit and other comprehensive income for the period 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 31 March 2018 comparing to 31 December 2017.

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, 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 31 March 2018 and 31 December 2017.

15. Capital expenditure commitments

	At 31 March 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	982,550	927,244
Investment funds	68,217	106,258
	1,050,767	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.

		For the three months ended 31 March	
		2018	**2017**
		(Unaudited)	**(Unaudited)**
		RMB'000	*RMB'000*
(a)	**Sales of goods to:**		
	Companies controlled by a substantial shareholder of the Company	20,231	33,644
	Associates	7,420	23,813
	Joint ventures	49,335	51,289
(b)	**Purchases of goods from:**		
	A group of companies jointly controlled by the Company's directors and their dependent	1,203,886	811,242
	Joint ventures	7,396	4,190

17. Events after the reporting period

The Company's share option scheme, which was adopted pursuant to a resolution passed on 20 March 2008, expired on 19 March 2018.

A new share option scheme was adopted by the shareholders of the Company at the extraordinary general meeting of the Company held on 26 April 2018 (the "New Share Option Scheme"). The purpose of the New Share Option Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the Group.

18. Approval of first quarterly financial statements

The first quarterly financial statements of 2018 were approved by the board of directors on 28 May 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

MACRO AND INDUSTRY ENVIRONMENT

In the first quarter of 2018, China's economy continued with last year's stable performance with good momentum. GDP has a year-on-year growth of 6.8%, such growth rate was consistent with that of the previous quarter. The rise in consumer prices index (CPI) was mild. There are risks existing in the aspects of international trade conflicts, exchange rates and China's tax policies.

The packaged food and beverage industry has stabilized and enjoyed growth. However, increase in the pace of consumer upgrading, ever-changing consumer demands, channel fragmentation as well as high prices of raw materials have continued to invite various challenges to and opportunities for the development of the Group.

BUSINESS REVIEW

In the first quarter of 2018, the Group upheld food safety as the prerequisite for its development, and gained steady growth by launching the strategy of "Consolidation, Innovation, and Development". The Group strived to introduce core products for establishing a firm foothold in the mass market, ensured stable cash inflows, and planned to enter high-end markets. In the midst of the challenges such as high prices of raw materials and diversifying consumer demands it encountered, the Group continued to push the supply-side reform, increased capacity utilization through asset-light, activation on asset and supply chain configuration rationalization; and increased operational efficiency through organization delayering, cost control measures etc. Moreover, the pressure on gross profit margin was mitigated due to the focus on channel inventory management in the first quarter. In order to adapt to the development trends of channel fragmentation, the Group aimed at development multiple channels, optimizing cooperation with dealers. On such basis, in the first quarter, the Group launched product upgrade, and enhanced brand image and gained positive feedbacks through scenario marketing and sports marketing.

In the first quarter of 2018, the Group's revenue increased by 5.91% to RMB15,037.1 million yoy (year-on-year compared with the corresponding period in 2017). Revenue from instant noodles and beverages increased by 8.55% and 4.62%, respectively, yoy. 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 for product upgrade, the Group's gross profit margin increased by 1.62 ppt. to 29.66% yoy. Distribution costs represented 18.15% of the revenue for the period and decreased by 0.25 ppt. yoy. EBITDA of the Group increased by 4.78% to RMB1,815.5 million yoy, and EBITDA margin slightly dropped by 0.13 ppt. to 12.07% yoy. Benefited by the yoy revenue growth and gross margin improvement, profit attributable to owners of the Company during the period grew by 64.26% to RMB712.1 million. Profit margin attributable to owners was 4.74%, increased by 1.69 ppt. yoy, earnings per share increased by RMB4.95 cents to RMB12.68 cents. In terms of improving operational efficiency, in the first quarter of the year, the Group promoted the activation on assets to achieve good results and recorded RMB420 million in other net income. The Group also accelerated the replacement of inefficient and cost-consuming machinery and equipment to increase production efficiency, and therefore recorded impairment losses of around RMB248 million and RMB287 million in instant noodle and beverage businesses respectively. If the effects of the income of activation on assets and the provision of impairment losses on machinery and equipment are excluded, EBITDA of the Group in the first quarter of 2018 increased by 12.01% to RMB1,941 million yoy, and EBITDA margin increased by 0.71 ppt. to 12.91% yoy.

INSTANT NOODLE BUSINESS

According to the data from the World Instant Noodles Association, China's instant noodle industry is showing an optimistic trend with a positive overall growth in 2017. According to the data from Nielsen, China's instant noodle market extended its warming trend during the first quarter of 2018, overall sales volume has a year-on-year growth of 7.5%, while sales amount has a year-on-year growth of 11.9%. In the first quarter of 2018, the market shares of Master Kong in terms of sales volume and sales amount were 44.4% and 49.9% respectively, implying that its market shares remained stable and maintained No.1 position.

In the first quarter of 2018, the Group's revenue from the instant noodle business was RMB6,307.7 million, which grew by 8.55% yoy, accounting for 41.95% 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 and the growth of sales volume, gross profit margin of instant noodles increased by 2.52 ppt. to 30.27%. 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 11.87% to RMB439.7 million, profit margin attributable to owners increased by 0.21 ppt. to 6.97% yoy. (If the effects of the income of activation on assets and the provision of impairment losses on machinery and equipment are excluded, profit attributable to shareholders of the instant noodle business in the first quarter of 2018 increased by 52.4% yoy.)

Instant noodle business in the first quarter continued to adhere to the multi-price strategy, it consolidated the high-end noodle markets and developed its premium noodles market. While meeting the demands of mass consumption group, it also planned to follow the demand for high-end and healthy products of the middle class. Sports marketing such as marathons and cooperation with Chinese aerospace industry conveyed a safe and healthy image for instant noodles, highlighted the national brand image,and continued to lead the industry development. During the Pyeongchang Winter Olympics, in order to serve the Chinese sports delegation, media reporters, volunteers, and national athletes, the Group set up the "Master Kong Pyeongchang Noodles Restaurant" (康師傅平昌麵館), and received compliments from the delegations and sports fans, thus successfully enhanced brand recognition. In the first quarter, instant noodle business also continued to implement asset allocation rationalization, monitored capital expenditures, and optimized the supply chain layout.

High-priced Noodles

High-priced noodles continued to consolidate core products to ascertain a stable growth of an expanded sales and satisfied different demands with products of multiple specifications, supplemented with brand marketing, thus attracted young families and younger consumption groups. Since the upgrading of our products, we have received positive feedback from the channels. Through creating the association of "My dream life tastes like that (夢想生活,就是這個味兒)" by advertisements, the multiple-specification products of the "Braised Beef" series attracted consumption groups of young families with children; and the launch of aerospace new packaging emphasized the high quality recognized by the aerospace industry, which enhanced our brand image. "Pickled Mustard" continued to cooperate with Kung Fu Panda in offline sales, such attracted the participation of more than a million people, which effectively facilitated sales and enhanced brand vitality. "Spicy Beef/Fried Pepper Beef/Pickled Pepper Beef/Pungent Beef" collaborated with popular game "King of Glory" to start promotions, which enabled the creation of a younger brand image and increased sales volume as well.

Premium Noodles/Innovative Products

In respond to the growth trend of premium market and the pursuit for health, with the use of tasty premium soup products, and the continuing strong premium product operation and innovative product layout, these were able to attract middle-class and young urban consumers. Premium soup products such as "'Pork Rib", "Golden Stock", "Pepper" used "Tasty Soup" to satisfy consumer demands, and with the combination of sports marketing and advertisements, the overall sales volume achieved year-on-year double-digit growth. "Golden Stock" also collaborated with the popular TV drama "Old Boy" to strengthen brand recognition. The non-fried "DIY noodle" focused on sports marketing. Through its continuous launch of the "Caring Companion Plan" with Lang Ping/Zhu Ting, and the athletes' appearances in the Pyeongchang Noodles Restaurant to make their own dishes during the Winter Olympics have received wide recognition.

Mid-end Noodles/Snack Noodles

Mid-end noodles emphasized market consolidation and satisfying the demand for consumers, and maintained a leading market share. Snack noodles promoted product upgrade, a new flavour "Xiang Bao Cui" was launched during the start of school year, and with the collaboration with popular mobile games, it attracted teenage consumers.

BEVERAGE BUSINESS

According to the data from Nielsen, the beverage industry in China saw a stable growth in the first quarter of 2018, the sales volume and sales amount grew by 3.4% and 5.0% respectively, on a year-on-year basis. In the first quarter of 2018, the ready-to-drink (RTD) tea (including milk tea) of the Group's beverage business accounted for 48.3% market share in terms of sales volume and continued to secure top ranking position in the market. The fruit juice brands under Master Kong and Tropicana accounted for a market share of 14.0% in the first quarter of 2018, ranked No.2 in the market. Market share for bottled water in the first quarter of 2018 was 10.8%, ranking No.3 in the market for the time being. According to the data of third party research company, in terms of sales volume, the overall market share of Pepsi carbonated drinks in the first quarter was 31.3%, ranked No.2 in the market. Among which, in the cola carbonated segment market, in terms of sales volume, the market share of Pepsi Cola was 48.6%, and was the No.1 brand in the market.

In the first quarter of 2018, the overall revenue of the beverage business was RMB8,351.1 million, grew by 4.62% yoy, accounting for 55.54% of the Group's total revenue. During the period, gross profit margin of the beverage business increased by 1.15 ppt. to 29.3% yoy, mainly due to product upgrade and price adjustments on certain products. Although revenue growth and gross profit margin improved during the period, due to the yoy increase in distribution costs and in the provision of machine impairment losses which included in other operating expenses, the loss attributable to shareholders of the beverage business in the first quarter of 2018 was RMB 51.19 million, dropped by 238.69% yoy. Profit margin attributable to owners decreased by 1.07 ppt. yoy to -0.61%. (If the effect of the provision of impairment losses on machinery and equipment is excluded, profit attributable to shareholders of the beverage business in the first quarter of 2018 increased by 158.67% yoy.)

Our beverage business continued to focus on core product categories and products, it had a firm foothold in the mass consumer market, and gradually promoted product upgrade. We implemented price adjustment to certain products in the first quarter, supplemented by multiple specifications to satisfy different consumption scenarios and demands, thus had stable performance in the first quarter. In addition, we continued to optimize channel inventory management, and increased sales through measures such as scenario marketing, brand cooperation, indoor channel development. We also continued the process of activation on asset and asset-light, and enhanced the integrated effectiveness/efficiency of supply chain by the disposal of idle assets.

RTD Tea

RTD Tea continued to consolidate the mass market with core products, through the scenario marketing such as drama "加你加年味" and collaborated with films such as "Monster Hunt 2", we actively increased sales during festive season, which attracted young consumers and family consumer groups. "Master Kong Ice Tea" invited NBA star Joel Embiid and CCTV famous basketball commentator to celebrate Chinese New Year; and launched the "Minions" limited edition of new year package, appealed to young families and parent-child consumptions. Sales was enhanced by the brand collaboration of the brand image of fresh and vitality of "Green Tea" with Tencent's animation "鬥羅大陸". The "Jasmine Series" continued the romantic scenario marketing, and cooperated with Tencent's QQ Music to launch music branded bottles that used AR, and this attracted young consumers. "Classic Milk Tea" enhanced sales of warm drinks in winter, which resulted in continuous rapid growth of sales.

Bottled Water

The multiple price range strategy was implemented continuously. To actively respond to consumption upgrading, we implemented product upgrade on the low-priced "Master Kong bottled drinking water" which was produced mainly through "the eight processes with national patent" in the first quarter, and marketed premium product "Han Yang Quan" mineral water in the key cities nationwide. With its high quality and cultural attributes, "Han Yang Quan" became the designated water to be used in "NPC & CPPCC Special Interview with Xinhuanet in 2018 (新華網2018全國兩會特別訪談)". With its NSF-certified-internationally high quality, the mid-priced water "Youyue" continued to appeal to the whitecollar consumption groups.

Carbonated Drinks

In the first quarter of 2018, the carbonated drinks business started its marketing campaign around Chinese New Year, enhanced the brand concept of "Bring Happiness Home", and raised brand favorability and achieved sales growth through the launch of Sleek Can, new packaging and brand collaboration. Pepsi used new packaging "2018 CNY Zodiac LTO Can (萌狗罐)" for the Chinese New Year and its Sleek Can to enrich the product portfolio, which met different consumer demands and gained satisfactory growth of sales volume. "Mirinda" together with "We Bare Bears" created the "Mess with Your Senses" brand image through brand collaboration,and attracted young consumer groups. "7 up" increased its penetration into the catering channels and its expansion into towns, as well as grasped the festive drinking season so as to boost sales.

Juice Drinks

By promoting product upgrade, creating scenarios for consumption and expanding channels such as catering and takeaway, the Group reinforced its leading position in Chinese style juice drinks and drove the sales of Western style juice drinks products at the same time. Chinese style juice drinks "Rock Candy Pear" with its multiple specification products strengthened its food services channels, "Tradition Fruit Mix Sour Plum", with its Chinese classic image and brand image of "reducing grease", met the demands in the catering channels (particularly hotpot restaurants). Western style juice drinks "Master Kong Juices" focused on promoting large-package sales during the festive season. Western style juice drinks Tropicana also grasped the timing of Chinese New Year by launching large-package products, and introduced its new blended juice flavor of pineapple and lemon, which continued such differentiated advantage of blended flavor to raise brand favorability.

Functional Drinks/Probiotics Drinks/Coffee Drinks

"Gatorade" continued to establish its image of world's No.1 sports drink, to promote to consumers the idea of replenishing oneself with electrolytes after exercise, and to cooperate with sports park/running group/city marathon events/sports brands, through which we continuously expanded the market share of our products.

"Wei Chuan Ambient Probiotics Drink" expanded its sales region, actively established channels such as catering and schools, and launched gift packs for sales during Chinese New Year, thus achieved a healthy growth of sales.

We continued to expand in China's RTD coffee market. We kept on leading the development of premium market by the bottled Frappuccino produced in cooperation with our international strategic partner Starbucks, and used "Bernachon coffee" to expand the room temperature mid-high priced market, which enjoyed sustained growth.

During the first quarter, the bottled Frappuccino continued to accelerate its regional expansion, with the focus on e-commerce business and development of specialty channels, and timely launched multipacks with new packing for the Chinese New Year so as to satisfy festive demands. "Bernachon coffee" uses advanced extraction technology to brew "Masterpiece" tasting grade coffee, and meets consumer demands with various flavors. With the combination of online and offline promotion, we were able to raise brand image and recognition.

INSTANT FOOD BUSINESS

According to the data from Nielsen, overall sales volume of the biscuit market for the first quarter of 2018 decreased by 0.1% yoy, sales amount increased by 4.9% yoy, of which sales volume of sandwich crackers decreased by 3.0% and sales amount increased by 5.6% yoy. In the first quarter of 2018, in terms of sales amount, the market share of Master Kong egg rolls was 24.8% and ranked No.1 in the market; the market share of sandwich crackers was 9.8% and ranked No.2 in the market.

In the first quarter of 2018, revenue of the instant food business was RMB211 million, which dropped by 3.46% yoy and amounted to 1.40% of the Group's revenue. Gross profit margin increased by 0.78 ppt. to 35.26%. Thanked for the savings from distribution costs and administrative expenses, the loss attributable to owners of instant food business narrowed to RMB1.97 million, improved 53.17% yoy.

During the period, the instant food business implemented various established strategies under the overall strategy of "Profits come first, consolidating the core product categories". The instant food business consolidated its core operation of cake and cracker brands, introduced products of multiple specification to cater to different food consumption occasions, introduced products of multiple price ranges to cater to different consumption tiers, and focused on demands for healthy diet among middle-class. Emerging channels were vigorously established, and dealers' choices were optimized. While price increase was applied on some products, cost refinement projects were launched and product line automated transformation was accelerated at the same time, so as to reduce the stress from increasing raw material prices. Master Kong's "3+2 sandwich crackers" made rigorous development in small package products to meet consumers' needs for small amount, diverse and higher frequency, and has enjoyed steady growth since its launch, especially the "germ soda crackers" which targeted on middle-class consumers. In the first quarter, egg rolls gift packs with new specifications and new packages and Muffin and Teddy Bear gift packs with refined packaging design were introduced to satisfy the needs for gifts during the festive season, and positive market feedback was received by closely following the upward trend in the gift pack market.

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 31 March 2018, the Group's bank balances and cash totalled RMB14,349.5 million, an increase of RMB4,064.6 million from 31 December 2017. A sufficient amount of cash holding was still maintained. As at 31 March 2018, the Group's total assets and total liabilities amounted to approximately RMB56,943.2 million and RMB33,617.0 million respectively. This showed increases in RMB2,844.1 million and RMB1,811.9 million respectively compared to 31 December 2017. The debt ratio increased by 0.25 ppt. to 59.04% compared to 31 December 2017. Gearing ratio was dropped to -9.75% from 22.26% as at 31 December 2017.

As at 31 March 2018, the Group's total interest bearing borrowings was RMB12,456.0 million which decreased by RMB1,928.2 million 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 70% and 30% 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 52% and 48% respectively, as compared to 46% and 54% respectively as at 31 December 2017. 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 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 subsidiary to an independent third party, realized a net cash inflow of RMB285.0 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 3.68%, due to the fluctuation of exchange rate, realized/unrealized exchange gains of RMB26.56 million has been recognized in the Group's income statement from January to March 2018.

Financial Ratio

	As at 31 March 2018	**As at 31 December 2017**
Finished goods turnover	11.95 Days	11.31 Days
Trade receivables turnover	10.15 Days	9.99 Days
Current ratio	0.87 Times	0.79 Times
Debt ratio (Total liabilities to total assets)	59.04%	58.79%
Gearing ratio (Net debt to equity attributable to owners of the Company)	-9.75%	22.26%

HUMAN RESOURCES

As at 31 March 2018, the Group had 55,955 employees. After the organization delayering, the Group continued to put efforts on the strategic talent layout and talent development. Through accelerating talent localization, younger management and talent diversification, the Group was able to enhance the "quality" of human resources.

In respect of strategic talent management, through scientific assessment, the Group was able to explore high-potential talents, review the compatibility of personnel with position, improve the talent development and incentive mechanism, and promote mid-to-high management succession program. In respect of the talent pool in schools, the Group implemented the "Young Master talent Reserve For Campus Recruitment" project, the first batch of talents in 2018 has already commenced their job rotational trainings. The Group also adhered to the guiding spirit of the 19th National Congress of the CPC regarding the cooperation between schools and enterprises, continued enhancing the cooperation with key universities and medium level vocational training schools nationwide, and introduced and trained talents for marketing companies and supply chain.

CORPORATE SOCIAL RESPONSIBILITY

The Group persisted in constantly improving the performance of corporate social responsibility, contributing actively to the country and national development, and committing to providing consumers with safer, more convenient and delicious products, and had published the new edition of "Environmental, Social and Governance Report".

The Group adheres to the strict food safety standards. In 2017, 78 water plants obtained NSF international certification and 72 beverage plants passed AIB certification (the Good Manufacturing Practice, GMP in food safety published by the American Institute of Baking). The instant noodle oil control system has been recognized by regulatory authorities and academic experts. In addition, the Group has actively promoted the dissemination of food safety concept through public welfare program, media event, visit of factory's production line and other activities to remove the misconceptions of consumers about packaged food. The Group has promoted the "Water Education" programme together with the China Beverage Industry Association for the fourth consecutive year by launching the preparatory work for the "Water Education" campus event in the first quarter to popularize the drinking water treatment technology and the concept of water source protection to students.

In response to the government's call for poverty alleviation, the Group continued to contribute to solving the issues relating to the agriculture, rural areas, and rural people while engaging in donation services and community condolence. The procurement of raw materials drove the development of agricultural economics in the region directly, benefiting over 40 million farmers. The agricultural technology was updated through assistance in farmers' planting, strict control of quality at the origin and supervision over inspection.

In respect of energy saving and environmental protection, the Group actively responded to the national policy on environmental protection and green development, and continued to implement various projects on energy conservation and consumption reduction. Through the renovation of production equipment and the optimization of processing equipment, the Group was able to reduce wastes and pollutant emission, and through projects such as photovoltaic power generation and the use of steam box energy saving system, steam pipeline renovation etc., the Group was able to save energy usage. Moreover, the Group actively promoted a clean community environment, for instance, launching tree-planting campaign in the community, which gained positive feedback.

The Group also gave back to the education sector. It promoted the "Master Kong Dream Scholarship Project" organized jointly with Waseda University, such project subsidized outstanding undergraduate students from 5 top universities in the country, namely, Tsinghua Universities, Peking University, Fudan University, Shanghai Jiao Tong University and Zhejiang University, for an exchange program in Japan.

PROSPECTS

Looking ahead in 2018, China's economy will continue to have stable performance with good momentum, and will improve quality while maintaining stability. The Group still have confidence in the packaged food and beverage industry. However, consumption upgrade and ever-changing consumer demands, high prices of raw materials and channel fragmentation continue to invite various challenges to the development of the Group. As such, the Group is conservatively optimistic in 2018, seeks to improve while maintaining stability, and also takes into account both short-term and long-term development.

In order to respond to the consumption upgrade and ever-changing consumer demands, the Group, under the condition of consolidating the mass consumer market, will gradually make plans for the premium market layout. The Group will put more focus on the consumer demands for health, but will put food safety in foremost priority. The Group will continue to strictly monitor food safety and quality, increase commitment on food safety, and grasp the opportunity to cooperate with the aerospace industry, with an aim to further promote the research & development on food safety technology and popular science education on food safety.

To respond to the profit pressure from the high prices of raw materials, the Group will safeguard its profitability through the adoption of measures such as product upgrade, formula improvement, specification adjustment, optimization of channel inventory. Meanwhile, with effective protection of free cash flow as a prerequisite, the Group will continue to implement the supply-side reform, optimize capacity layout through asset-light, activation on asset, explore supply chain potential, increase capacity utilization and reduce capital expenditures. In addition, the Group will raise operational efficiency through organizational transformation and upgrade as well as cost control. To match with organizational transformation, the Group will constantly optimize its process, simplify its management, accelerate the progress of information digitalization, utilize internet empowerment and facilitate the setting up of the service sharing mechanism.

In response to the development trend of channel fragmentation, the Group will implement diverse sales channels, and strengthen the partnership with wholesalers and dealers which will achieve a win-win situation.

With the idea and conviction of being rooted in the China market, the Group will promote the upgrade and improvement of the industry in the stable Chinese economic environment with improving momentum.

CORPORATE GOVERNANCE

The Company has, throughout the period ended 31 March 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 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 responsibility and authorization. As of 31 March 2018, we completed the improvement and compliance control 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 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. Detailed arrangement for the 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 three months ended 31 March 2018 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 2018	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Balance as at 31 March 2018	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	—	—	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	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	—	551,000	718,000	2,876,000	15.58	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	—	—	—	8,484,000	—	Table A (7)
	5 June 2015	16.22	15.92	11,754,000	—	—	—	11,754,000	—	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	—	3,601,000	2,545,000	90,739,000		

For the period of three months ended 31 March 2018, 3,601,000 options had been exercised under the Share Option Scheme. Weighted average exercise price was HK$9.23 and the weighted average market closing price before the date of exercise was HK$15.81.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE OFFICER IN SHARES

As at 31 March 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

	Number of ordinary shares			Number of underlying shares held under share options	
Name	Personal interests	Corporate interests (Note 1)	Percentage of the issued share capital	Beneficial owner (Note 2)	Percentage of the issued share capital
Directors					
Wei Ing-Chou	13,942,000	1,882,927,866	33.77%	13,250,000	0.23%
Wei Hong-Ming	—	—	—	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

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 and Wei Ing-Chou (including Wei Hong-Ming) as discretionary objects;

   — Lin Li-Mien is the settlor of one of the above discretionary trusts with Lin Li-Mien and 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 13,250,000 share options (details shown as Table B on page 29) 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 29) 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 29) 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 29) 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 31 March 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 31 March 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 31 March 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 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)	33.52
Ho Te Investments Limited (see Note 1)^	Interest of controlled company	1,882,927,866 (L)	33.52
Rich Cheer Holdings Limited (see Note 1)^	Interest of controlled company	1,882,927,866 (L)	33.52
Profit Surplus Holdings Limited (see Note 1)^	Trustee of a unit trust	1,882,927,866 (L)	33.52
HSBC International Trustee Limited (see Note 1)^	Trustee of discretionary trusts	1,882,927,866 (L)	33.52
Wei Chang Lu-Yun (see Notes 1 & 2)^	Settlor of a discretionary trust	1,910,119,866 (L)	34.00
Lin Li-Mien (see Note 1)^	Settlor of a discretionary trust	1,882,927,866 (L)	33.52
Wei Hsu Hsiu-Mien (see Note 1)^	Settlor of a discretionary trust	1,882,927,866 (L)	33.52
Wei Tu Miao (see Note 1)^	Settlor of a discretionary trust	1,882,927,866 (L)	33.52
Sanyo Foods Co., Ltd.	Beneficial owner	1,882,927,866 (L)	33.52

^: 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 31 March 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, 28 May 2018

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

* *For identification purpose only*