

TINGYI (CAYMAN ISLANDS) HOLDING CORP.

2016 Third Quarterly Report

Life + Delicacy



SUMMARY

US\$'000	For the three months ended 30 September			For the nine months ended 30 September		
	2016	2015	Change	2016	2015	Change
• Revenue	2,721,560	2,763,470	↓ 1.52%	6,912,887	7,633,872	↓ 9.44%
• Gross margin	33.44%	33.30%	↑ 0.14 ppt	32.35%	33.04%	↓ 0.69 ppt
• Gross profit of the Group	910,136	920,186	↓ 1.09%	2,236,438	2,522,235	↓ 11.33%
• EBITDA	448,758	408,063	↑ 9.97%	936,389	1,087,701	↓ 13.91%
• Profit for the period	220,760	188,094	↑ 17.37%	312,350	461,386	↓ 32.30%
• Profit attributable to owners of the Company	142,830	144,275	↓ 1.00%	212,505	341,934	↓ 37.85%
• Earnings per share (US cents)						
Basic	2.55	2.57	↓ 0.02 cents	3.79	6.10	↓ 2.31 cents
Diluted	2.55	2.57	↓ 0.02 cents	3.79	6.09	↓ 2.3 cents

At 30 September 2016, cash and cash equivalents was US\$2,110.519 million, with an increase of US\$1,086.819 million when compared to 31 December 2015. Gearing ratio was 0.11 times.

2016 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 2016 together with the comparative figures for the corresponding periods in 2015. 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 2016

		July to September 2016 (Unaudited) US\$'000	January to September 2016 (Unaudited) US\$'000	July to September 2015 (Unaudited) US\$'000	January to September 2015 (Unaudited) US\$'000
	<i>Note</i>				
Revenue	2	2,721,560	6,912,887	2,763,470	7,633,872
Cost of sales		(1,811,424)	(4,676,449)	(1,843,284)	(5,111,637)
Gross profit		910,136	2,236,438	920,186	2,522,235
Other revenue and other net income		47,796	120,334	46,811	142,737
Distribution costs		(522,530)	(1,453,972)	(522,802)	(1,486,877)
Administrative expenses		(90,033)	(249,146)	(90,993)	(265,118)
Other operating expenses		(37,003)	(155,260)	(76,444)	(208,401)
Finance costs	5	(19,745)	(56,047)	(14,954)	(45,844)
Share of results of associates and joint ventures		9,490	20,690	5,390	15,219
Profit before taxation	5	298,111	463,037	267,194	673,951
Taxation	6	(77,351)	(150,687)	(79,100)	(212,565)
Profit for the period		<u>220,760</u>	<u>312,350</u>	<u>188,094</u>	<u>461,386</u>
Profit attributable to:					
Owners of the Company		142,830	212,505	144,275	341,934
Non-controlling interests		77,930	99,845	43,819	119,452
Profit for the period		<u>220,760</u>	<u>312,350</u>	<u>188,094</u>	<u>461,386</u>
Earnings per share	7				
Basic		<u>2.55 cents</u>	<u>3.79 cents</u>	<u>2.57 cents</u>	<u>6.10 cents</u>
Diluted		<u>2.55 cents</u>	<u>3.79 cents</u>	<u>2.57 cents</u>	<u>6.09 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Three Months and Nine Months Ended 30 September 2016

	July to September 2016 (Unaudited) <i>US\$'000</i>	January to September 2016 (Unaudited) <i>US\$'000</i>	July to September 2015 (Unaudited) <i>US\$'000</i>	January to September 2015 (Unaudited) <i>US\$'000</i>
Profit for the period	220,760	312,350	188,094	461,386
Other comprehensive (loss) income				
Items that are or may be reclassified subsequently to profit and loss:				
Exchange differences on consolidation	(43,815)	(156,042)	(118,021)	(123,628)
Fair value changes in available-for-sale financial assets	881	509	(3,551)	2,709
Reclassification adjustments relating to available-for-sale financial assets disposed of during the period	(1,236)	(5,389)	—	(5,736)
Other comprehensive loss for the period	(44,170)	(160,922)	(121,572)	(126,655)
Total comprehensive income for the period	<u>176,590</u>	<u>151,428</u>	<u>66,522</u>	<u>334,731</u>
Total comprehensive income attributable to:				
Owners of the Company	102,720	84,096	51,298	246,857
Non-controlling interests	73,870	67,332	15,224	87,874
	<u>176,590</u>	<u>151,428</u>	<u>66,522</u>	<u>334,731</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016

	<i>Note</i>	At 30 September 2016	At 31 December 2015
		(Unaudited)	(Audited)
		<i>US\$'000</i>	<i>US\$'000</i>
ASSETS			
Non-current assets			
Investment properties		156,513	154,498
Property, plant and equipment		4,998,722	5,396,574
Prepaid lease payments		592,763	607,822
Intangible asset		25,986	26,551
Interest in associates		33,675	30,065
Interest in joint ventures		101,526	82,741
Available-for-sale financial assets		81,956	92,120
Other non-current assets		—	15,400
Deferred tax assets		49,789	49,002
		6,040,930	6,454,773
Current assets			
Inventories		326,551	325,793
Trade receivables	9	321,930	233,403
Tax recoverable		—	14,780
Prepayments and other receivables		384,501	429,057
Pledged bank deposits		12,595	12,048
Bank balances and cash		2,097,924	1,011,652
		3,143,501	2,026,733
Total assets		9,184,431	8,481,506

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016

		At 30 September 2016 (Unaudited) US\$'000	At 31 December 2015 (Audited) US\$'000
	<i>Note</i>		
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	10	28,014	28,014
Share premium		63,900	63,900
Reserves		2,780,928	2,817,145
Total capital and reserves attributable to owners of the Company		2,872,842	2,909,059
Non-controlling interests		1,040,574	985,202
Total equity		3,913,416	3,894,261
Non-current liabilities			
Financial liabilities at fair value through profit or loss		11,259	9,080
Long-term interest-bearing borrowings	11	956,630	1,326,367
Employee benefit obligations		46,588	42,901
Deferred tax liabilities		252,324	221,807
		1,266,801	1,600,155
Current liabilities			
Trade payables	12	1,243,486	722,288
Other payables and deposits received		1,167,701	1,008,234
Current portion of interest-bearing borrowings	11	1,473,579	1,123,198
Advance payments from customers		60,047	123,179
Taxation		59,401	10,191
		4,004,214	2,987,090
Total liabilities		5,271,015	4,587,245
Total equity and liabilities		9,184,431	8,481,506
Net current liabilities		(860,713)	(960,357)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Nine Months Ended 30 September 2016

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Nine Months Ended 30 September 2016

	Attributable to owners of the Company				Non-controlling interests (Unaudited) US\$'000	Total Equity (Unaudited) US\$'000
	Issued capital (Unaudited) US\$'000	Share premium (Unaudited) US\$'000	Reserves (Unaudited) US\$'000	Total capital and reserves (Unaudited) US\$'000		
At 1 January 2016	28,014	63,900	2,817,145	2,909,059	985,202	3,894,261
Profit for the period	—	—	212,505	212,505	99,845	312,350
Other comprehensive (loss) income:						
Exchange differences on consolidation	—	—	(123,529)	(123,529)	(32,513)	(156,042)
Fair value changes in available-for-sale financial assets	—	—	509	509	—	509
Reclassification adjustments relating to available-for-sale financial assets disposed of during the period	—	—	(5,389)	(5,389)	—	(5,389)
Total other comprehensive loss	—	—	(128,409)	(128,409)	(32,513)	(160,922)
Total comprehensive income for the period	—	—	84,096	84,096	67,332	151,428
Transactions with owners:						
<i>Contributions and distribution</i>						
Equity settled share-based transactions	—	—	8,326	8,326	—	8,326
2015 dividend approved and paid	—	—	(128,170)	(128,170)	(11,960)	(140,130)
	—	—	(119,844)	(119,844)	(11,960)	(131,804)
<i>Changes in ownership interests</i>						
Change in ownership interest in a subsidiary that does not result in a loss of control	—	—	(469)	(469)	—	(469)
Total transactions with owners	—	—	(120,313)	(120,313)	(11,960)	(132,273)
At 30 September 2016	28,014	63,900	2,780,928	2,872,842	1,040,574	3,913,416

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Nine Months Ended 30 September 2016

	January to September 2016 (Unaudited) <i>US\$'000</i>	January to September 2015 (Unaudited) <i>US\$'000</i>
OPERATING ACTIVITIES		
Cash generated from operations	1,576,119	1,392,246
The People's Republic of China ("PRC") enterprise income tax paid	(57,088)	(125,774)
Interest paid	(54,501)	(44,774)
	1,464,530	1,221,698
INVESTING ACTIVITIES		
Interest received	24,251	36,622
Purchase of available-for-sale financial assets	(6,029)	(23,686)
Purchase of property, plant and equipment	(200,470)	(378,882)
Prepaid lease payments	(46,705)	(56,105)
Others	23,489	36,018
	(205,464)	(386,033)
FINANCING ACTIVITIES		
Dividends paid to owners of the Company	(128,170)	(200,067)
Dividends paid to non-controlling interests	(11,960)	(41,312)
Proceeds from bank and other borrowings	1,000,921	639,420
Repayments of bank and other borrowings	(1,005,478)	(909,711)
Others	(469)	187,789
	(145,156)	(323,881)
Net increase in cash and cash equivalents	1,113,910	511,784
Cash and cash equivalents at 1 January	1,023,700	1,183,103
Effect on exchange rate changes	(27,091)	(28,843)
	2,110,519	1,666,044
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	2,097,924	1,648,510
Pledged bank deposits	12,595	17,534
	2,110,519	1,666,044

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 2015 annual financial statements. The accounting policies adopted in preparing the condensed consolidated third quarterly financial statements for the nine months ended 30 September 2016 are consistent with those in the preparation of the Group's annual financial statements for the year ended 31 December 2015, 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 2016.

Amendments to HKFRSs	Annual Improvements Project – 2012-2014 cycle
Amendments to HKAS 1	Disclosure initiative
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

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

2. Revenue

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

3. Segment information

Segment results

	For the Nine Months ended 30 September 2016					
	Instant noodles (Unaudited) US\$'000	Beverages (Unaudited) US\$'000	Instant food (Unaudited) US\$'000	Others (Unaudited) US\$'000	Inter-segment elimination (Unaudited) US\$'000	Total (Unaudited) US\$'000
Revenue						
Revenue from						
external customers	2,511,106	4,230,778	96,005	74,998	—	6,912,887
Inter-segment revenue	71	1,046	1,581	128,776	(131,474)	—
Segment revenue	<u>2,511,177</u>	<u>4,231,824</u>	<u>97,586</u>	<u>203,774</u>	<u>(131,474)</u>	<u>6,912,887</u>
Segment results after finance cost	211,002	241,837	(5,625)	(8,736)	694	439,172
Share of results of associates and joint ventures	(15)	22,356	(1,651)	—	—	20,690
Unallocated income, net	—	—	—	3,175	—	3,175
Profit (loss) before taxation	210,987	264,193	(7,276)	(5,561)	694	463,037
Taxation	(65,873)	(79,049)	(335)	(5,430)	—	(150,687)
Profit (loss) for the period	<u>145,114</u>	<u>185,144</u>	<u>(7,611)</u>	<u>(10,991)</u>	<u>694</u>	<u>312,350</u>

	For the Nine Months ended 30 September 2015					
	Instant noodles (Unaudited) US\$'000	Beverages (Unaudited) US\$'000	Instant food (Unaudited) US\$'000	Others (Unaudited) US\$'000	Inter-segment elimination (Unaudited) US\$'000	Total (Unaudited) US\$'000
Revenue						
Revenue from						
external customers	2,853,995	4,599,831	102,936	77,110	—	7,633,872
Inter-segment revenue	55	421	185	101,308	(101,969)	—
Segment revenue	<u>2,854,050</u>	<u>4,600,252</u>	<u>103,121</u>	<u>178,418</u>	<u>(101,969)</u>	<u>7,633,872</u>
Segment results after finance cost	378,821	291,705	(9,809)	(1,060)	1,004	660,661
Share of results of associates and joint ventures	—	22,016	(6,797)	—	—	15,219
Unallocated expenses, net	—	—	—	(1,929)	—	(1,929)
Profit (loss) before taxation	378,821	313,721	(16,606)	(2,989)	1,004	673,951
Taxation	(112,965)	(97,831)	—	(1,769)	—	(212,565)
Profit (loss) for the period	<u>265,856</u>	<u>215,890</u>	<u>(16,606)</u>	<u>(4,758)</u>	<u>1,004</u>	<u>461,386</u>

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

3. Segment information (continued)

Segment assets and liabilities

	At 30 September 2016					
	Instant noodles	Beverages	Instant food	Others	Inter-segment	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	elimination	(Unaudited)
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Segment assets	3,713,762	4,770,776	136,637	970,354	(624,255)	8,967,274
Interest in associates	—	33,608	67	—	—	33,675
Interest in joint ventures	—	92,554	8,972	—	—	101,526
Unallocated assets						81,956
Total assets						<u>9,184,431</u>
Segment liabilities	1,103,756	2,928,688	55,409	1,706,505	(569,932)	5,224,426
Unallocated liabilities						46,589
Total liabilities						<u>5,271,015</u>

	At 31 December 2015					
	Instant noodles	Beverages	Instant food	Others	Inter-segment	Total
	(Audited)	(Audited)	(Audited)	(Audited)	elimination	(Audited)
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Segment assets	3,268,452	4,774,066	145,190	1,211,071	(1,122,199)	8,276,580
Interest in associates	—	29,998	67	—	—	30,065
Interest in joint ventures	—	72,234	10,507	—	—	82,741
Unallocated assets						92,120
Total assets						<u>8,481,506</u>
Segment liabilities	742,034	3,012,906	56,853	1,797,417	(1,064,866)	4,544,344
Unallocated liabilities						42,901
Total liabilities						<u>4,587,245</u>

Segment assets include all assets with the exception of interest in associates and joint ventures and unallocated assets which include available-for-sale financial assets. Segment liabilities include all liabilities with the exception of employee benefit 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 2016 (Unaudited) <i>US\$'000</i>	January to September 2016 (Unaudited) <i>US\$'000</i>	July to September 2015 (Unaudited) <i>US\$'000</i>	January to September 2015 (Unaudited) <i>US\$'000</i>
Finance costs				
Interest on bank and other borrowings wholly repayable within five years	19,745	56,047	14,954	45,844
Other items				
Depreciation	138,068	431,358	133,720	391,725
Amortisation	3,352	10,198	3,938	12,802

6. Taxation

	July to September 2016 (Unaudited) <i>US\$'000</i>	January to September 2016 (Unaudited) <i>US\$'000</i>	July to September 2015 (Unaudited) <i>US\$'000</i>	January to September 2015 (Unaudited) <i>US\$'000</i>
Current tax – The PRC Enterprise income tax				
Current period	58,684	121,454	65,120	180,271
Deferred taxation				
Origination and reversal of temporary differences, net	6,661	10,851	3,690	8,385
Effect of withholding tax on the distributable earnings of the Group's PRC subsidiaries	12,006	18,382	10,290	23,909
Total tax charge for the period	77,351	150,687	79,100	212,565

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

Hong Kong Profits Tax has not been provided as the Group's entities had no assessable profit subject to Hong Kong Profits Tax for the nine months ended September 2016 and 2015.

The applicable PRC enterprise income tax for the PRC subsidiaries is at the statutory rate of 25% (2015: 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% (2015: 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 2016 (Unaudited)	January to September 2016 (Unaudited)	July to September 2015 (Unaudited)	January to September 2015 (Unaudited)
Profit attributable to ordinary shareholders (US\$' 000)	142,830	212,505	144,275	341,934
Weighted average number of ordinary shares ('000)	5,602,871	5,602,871	5,603,352	5,603,804
Basic earnings per share (US cents)	2.55	3.79	2.57	6.10

b) Diluted earnings per share

	July to September 2016 (Unaudited)	January to September 2016 (Unaudited)	July to September 2015 (Unaudited)	January to September 2015 (Unaudited)
Profit attributable to ordinary shareholders (US\$' 000)	142,830	212,505	144,275	341,934
Weighted average number of ordinary shares (diluted) ('000)				
Weighted average number of ordinary shares	5,602,871	5,602,871	5,603,352	5,603,804
Effect of the Company's share option scheme	169	57	6,106	7,953
Weighted average number of ordinary shares for the purpose of calculated diluted earnings per share	5,603,040	5,602,928	5,609,458	5,611,757
Diluted earnings per share (US cents)	2.55	3.79	2.57	6.09

8. Dividend

The Board of Directors does not recommend the payment of dividend for the nine months ended 30 September 2016 (2015: 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 2016 (Unaudited) US\$'000	At 31 December 2015 (Audited) US\$'000
0 - 90 days	309,483	215,529
Over 90 days	12,447	17,874
	321,930	233,403

10. Issued capital

	At 30 September 2016 (Unaudited)		At 31 December 2015 (Audited)	
	No. of shares	US\$'000	No. of shares	US\$'000
Authorised:				
Ordinary shares of US\$0.005 each	7,000,000,000	35,000	7,000,000,000	35,000
Issued and fully paid:				
At the beginning of the period/year	5,602,871,360	28,014	5,603,759,360	28,019
Shares issued under share option scheme	—	—	350,000	2
Shares repurchased	—	—	(1,238,000)	(7)
At the end of the reporting period	5,602,871,360	28,014	5,602,871,360	28,014

11. Interest-bearing borrowings

	At 30 September 2016 (Unaudited) US\$'000	At 31 December 2015 (Audited) US\$'000
The maturity of the interest bearing borrowings:		
Within one year	1,473,579	1,123,198
In the second year	306,630	726,015
In the third year to the fifth years, inclusive	650,000	600,352
	2,430,209	2,449,565
Portion classified as current liabilities	(1,473,579)	(1,123,198)
Non-current portion	956,630	1,326,367

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

On 6 August 2015, the Company issued notes (the “RMB Notes”) with an aggregate principal amount of RMB1,000,000,000. The carrying amount of the RMB Notes at the end of reporting period is US\$149,119,000 (2015: US\$156,097,000) and is included in the interest-bearing borrowings with maturity in the second year (2015: in the third to the fifth years). The RMB Notes are listed on the Singapore Exchange Securities Trading Limited. The fair value of the RMB Notes as at 30 September 2016 was US\$150,973,000 (2015: US\$151,482,000).

The carrying value of the notes issued by the Company on 20 June 2012 (the “US\$ Notes”) at the end of the reporting period is US\$498,932,000 (2015: US\$497,502,000) and is included in the interest-bearing borrowings with maturity within one year (2015: In the second year). The US\$ Notes are listed on the Singapore Exchange Securities Trading Limited. The fair value of the US\$ Notes as at 30 September 2016 was US\$506,175,000 (2015: US\$511,625,000).

During the nine months ended 30 September 2016, the Group obtained bank loans and other borrowings in aggregate amount of US\$1,000,921,000 (2015: US\$639,420,000) and recognised amortised interest of the RMB Notes, US\$ Notes (collectively, the “Unsecured Notes”), and other unsecured notes for an aggregate amount of US\$1,546,000 (2015: US\$1,070,000). Repayments of bank loans amounting to US\$1,005,478,000 (2015: US\$909,711,000) 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 2016 (Unaudited) US\$'000	At 31 December 2015 (Audited) US\$'000
0 - 90 days	1,220,166	700,892
Over 90 days	23,320	21,396
	1,243,486	722,288

13. Fair Value Measurements

(a) Financial assets and liabilities carried at fair value

The following table presents the assets and liabilities measured at fair value or required to disclose their fair value in these condensed consolidated financial statements on a recurring basis at 30 September 2016 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 2016 (Unaudited)				At 31 December 2015 (Audited)			
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Assets								
<i>Available-for-sale financial assets</i>								
– Investment funds	–	–	63,025	63,025	–	12,886	60,282	73,168
– Unlisted equity securities	–	–	15,600	15,600	–	–	15,600	15,600
	–	–	78,625	78,625	–	12,886	75,882	88,768
Liabilities								
<i>Financial liabilities at fair value through profit or loss</i>								
– Derivatives not designated as hedging instruments	–	11,259	–	11,259	–	9,080	–	9,080
	–	11,259	–	11,259	–	9,080	–	9,080

During the nine months ended 30 September 2016 and 2015, 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.

13. Fair Value Measurements (continued)

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

The details of the movements of the recurring fair value measurements categorised as Level 3 of the fair value hierarchy for the nine months ended 30 September 2016 and 2015 are shown as follows:

	30 September 2016 (Unaudited)			30 September 2015 (Unaudited)		
	Investment Funds US\$'000	Unlisted equity securities US\$'000	Derivative financial instruments US\$'000	Investment Funds US\$'000	Unlisted equity securities US\$'000	Derivative financial instruments US\$'000
At beginning of the period	60,282	15,600	—	50,708	—	(314)
Purchases	6,029	—	—	8,086	15,600	—
Disposals	(3,837)	—	—	(1,781)	—	—
Total gains or (losses) recognised:						
– in profit or loss	—	—	—	—	—	—
– in other comprehensive income	551	—	—	52	—	—
At the end of the reporting period	63,025	15,600	—	57,065	15,600	(314)
Total gains or (losses) for the period reclassified from other comprehensive income on disposals	1,864	—	—	781	—	—
Change in unrealised gain or (losses) for the period included in profit or loss for assets and liabilities held at the end of the reporting period	—	—	—	—	—	—

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

(i) Available-for-sale: Investment funds

As at 30 September 2016, 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 2015: one Level 2 and 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 2015: 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.

13. 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** *(continued)***(ii) Unlisted equity securities**

The fair value of the unlisted equity securities in Level 3 are estimated by the investment managers by using Price/sales (P/S) multiple model. In estimating the fair value of the unlisted equity securities, assumptions are used 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, are estimated 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.

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 was not significantly different from that those used in the Group's annual financial statements for the year ended 31 December 2015.

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 was not significantly different from that those in the Group's annual financial statements for the year ended 31 December 2015, 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 2016 comparing to 31 December 2015.

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 30 September 2016 and 31 December 2015.

14. Capital expenditure commitments

	At 30 September 2016 (Unaudited) US\$'000	At 31 December 2015 (Audited) US\$'000
Contracted but not provided for:		
Expenditures on property, plant and equipment	117,118	147,768
Investment funds	22,760	27,789
	139,878	175,557

15. Related party transactions

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

	July to September 2016 (Unaudited) US\$'000	January to September 2016 (Unaudited) US\$'000	July to September 2015 (Unaudited) US\$'000	January to September 2015 (Unaudited) US\$'000
(a) Sales of goods to:				
Companies controlled by a substantial shareholder of the Company	5,778	15,342	8,263	20,086
Associates	3,943	14,428	7,500	19,571
Joint ventures	16,900	37,440	13,059	46,681
	26,621	67,210	38,822	86,338
(b) Purchases of goods from:				
A group of companies jointly controlled by the Company's directors and their dependent	113,571	358,520	132,533	347,361
Joint ventures	2,673	7,595	1,258	4,222
	116,244	366,115	133,791	351,583

16. Approval of third quarterly financial statements

The third quarterly statements of 2016 were approved by the board of directors on 28 November 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview Review

In the third quarter of 2016, China economy maintained steady development. Prices of palm oil and sugar continued to fluctuate and rise, and CPI growth showed price rebound of part of the foods. However, affected by a weak international market, the pressure of reducing excessive production capacity and the general weak demand in the second half of the year, it is expected that GDP will continue to grow at approximately 6.7%, and monetary policy remains to be the focus of attention.

In the third quarter of 2016, the Group's results and financial performance improved when compared to that of first half. In the long term, the Group still proceeded with the steady upgrade strategy, continued to pursue innovative development, and introduced resources of international strategic partners to enhance diversification of product price to meet the diversified demands from the rising middle class. The Group also continued to pay attention to the optimization of free cash flow, promoted a corporate culture of integrity, pragmatism and innovation, enhanced employees' sense of identity and cohesion with the Group and did a good job of sustainable development for succession by the next generation, with a view to achieving the objectives of "safety, cost saving, higher efficiency and innovation".

In the third quarter of 2016, the Group's revenue decreased by 1.52% to US\$2,721.560 million yoy (year-on-year compared with the corresponding period in 2015). Revenue from instant noodles and beverages decreased by 8.75% and increased by 3.55%, respectively, yoy. The overall revenue of the Group in the third quarter decreased yoy by a significantly less extent than the 13.94% decrease yoy recorded in the first half of the year (excluding the effect of exchange rate, increased by approximately 4% yoy in the third quarter). Gross profit margin improved by benefiting from the rebounding sales volume of beverages during the period and refined production operations, gross profit margin of the Group for the third quarter increased by 0.14 ppt to 33.44% yoy. As the Group increased advertising expenditure to enhance branding as well as cutting down other distribution expenses, distribution costs represented 19.20% of the turnover for the period and increased by 0.28 ppt yoy. EBITDA of the Group for the third quarter in 2016 increased by 9.97% to US\$448.758 million yoy, EBITDA margin increased by 1.72 ppt to 16.49% yoy. Profit attributable to owners of the Company during the period decreased by 1.0% to US\$142.830 million, improved remarkably from the yoy declining trend recorded in the first half of the year. Profit margin attributable to owners was 5.25%, increased by 0.03 ppt yoy, earnings per share decreased by US 0.02 cents to US 2.55 cents.

Instant Noodle Business

During the third quarter of 2016, the Group's revenue from the instant noodle business was US\$969.047 million, which dropped by 8.75% yoy, accounting for 35.61% of the total revenue of the Group. But the "Back to classics" strategy adopted by the Group generated initial results, the rate of decline the sale of instant noodles in the third quarter narrowed further as compared to the decline rate of the previous two quarters with an upward recovery trend. During the period, gross profit margin of instant noodles decreased by 1.39 ppt to 30.37% due to rising price of palm oil and a decline in sales. As advertising expenditure increased during the period for brand building, profit attributable to owners of the Company in the overall instant noodle business decreased by 25.17% to US\$84.287 million, profit margin attributable to owners decreased by 1.91 ppt to 8.70% yoy, and maintained market leader position.

According to the latest data from AC Nielsen, overall sales volume of the instant noodle market decreased by 5.4% while the amount of sales grew by 2.3% in the third quarter of 2016. The market share of Master Kong in instant noodles in terms of sales volume and sales amount in the third quarter was 42.5% and 50.0%, respectively.

To cater for the consumer demand of instant noodles from all walks of life, we will continue to adopt the multiple pricing strategy to enhance the operating performance continuously. Key tasks in the third quarter included preserving existing customers and consumers with loyal tastes by launching products of the classic series, while satisfying the diversified demand of consumers by more high-end and high-quality products from the existing upgraded series of "Premium Classic (豐盛經典)". The series of mid-price instant noodles continued to satisfy the demand of value-for-money consumers. For product innovations, we have been developing new products on a continuous basis, and by capturing the consumption trend and health awareness, we are able to satisfy the diversified consumer needs accurately.

High-price noodles/High-end noodles

“Braised Brand” joined hands with TFBOYS and Yu Quan (羽泉), new generation idol group’s to launch the “Dream Partner Series” in 2016 and by upholding the brand spirit of “Pursue Your Dreams, Supporting You All the Way” to strengthen communication with consumer groups across different age groups and enhance the brand preference. “Pickled Mustard” continued to cooperate with Kung Fu Panda to pursue deeper penetration in brand communication channels for delivering the message of good raw materials, good cooking techniques and good flavors of Master Kong’s “Pickled Mustard” to young consumer groups and young families. “Fresh Shrimp Fish Pan” inspired the development of the new DIY dining generation by “Parent-child interactions and innovative eating methods” to attract new consumer groups, and by teaching mothers how to cook innovative styles of instant noodles for children through the gourmet column called “The Four Seasons of Wong’s Cuisine (黃小廚的春夏秋冬)”, more opportunities of eating and cooking instant noodles were explored.

“Black and White Pepper” series won the preference of consumers by its innovative flavors and cool style of packaging design. It was also the winner of the “China Instant Food Product Innovation Award (中國方便食品創新獎)” and the “Most Popular Instant Food Product Award (最受歡迎方便食品獎)” in 2016 presented by the 16th China Instant Food Product Conference. Through effective publicity activities, the monthly average sales volume in the third quarter was close to one million cartons.

“Soup Master” products contained no monosodium glutamate (MSG), they are characterized by a thick and rich texture, and an impressive high-end elegant brand image. After launching the brand image, packaging, flavor refreshing upgrade, new specifications and new flavors, the favorable trend continued in the third quarter and achieved notable growth. “ZhenLiaoDao”, a fashionable cup noodle with many ingredients, by leveraging on Kim Woo-bin (金宇彬) as its spokesperson and through program naming, cooperation, social interaction and media exposure such as TV commercials for “Uncontrollably Fond (任意依戀)”, its brand awareness rose rapidly and sales volume surge with a rising trend in the third quarter. Products of “Freshness Lovers” went through a new upgrade, made innovative breakthroughs in noodles, ingredient packs, soup and packaging, and won the “Global Food Industry Awards – Product Innovation Grand Prize”.

Mid-price noodles/Snack noodles

According to the latest data of AC Nielsen, the market share of the Group’s products of mid-price noodles continued to rise and reached 44% in terms of sales amount in the third quarter, which enhanced its No. 1 top position in the market. Meanwhile, “JinShuang Ramen 120” was launched and seized market share by its large-portion packs of RMB2.0 per pack. Products of the snack noodles “Crispy Whirlwind” were upgraded and presented a range of specifications, the box product of Crispy Whirlwind with beans was more customized and snack-style in order to satisfy customer demand for different venues and eating opportunities.

During the Rio Olympics, Master Kong invested ample labour force and supplies to establish the “Master Kong Rio Noodles Restaurant” (康師傅里約麵館) to provide free Chinese cuisines and noodles for Chinese delegation, media and volunteers in Rio de Janeiro, which they could still degust the familiar Chinese taste among fierce competitions and busy work in a place far from home. Master Kong sticks to its dream to strongly support China! All the efforts was to ensure that members of our delegate, media and volunteers could enjoy the taste from homeland, and served the Chinese spirits with Chinese taste.

In supply chain management, the robot 4.0 automatic energy saving and consumption cutting project was launched to reduce energy consumption. A management mechanism for product items in short supply was established to ensure the security of inventory, reduce the shortage rate and enhance the efficient of production and sales coordination. Production technology and equipment for new product (category) were under active preparation to ensure the smooth launching of new products in the market. The new second generation of factory upgrade and reform continued. Food safety inspection and verification were strengthened to provide better quality products for consumers and enhance the corporate image.

Beverage Business

In the third quarter of 2016, the overall revenue of the beverage business was US\$1,696.349 million, grew by 3.55% yoy, accounting for 62.33% of the Group's total revenue. During the period, gross profit margin of the beverage business increased by 0.90 ppt to 35.37% yoy, mainly attributable to sales growth and falling prices of major raw material PET resin. Due to an increase in gross profit, a reduction in expenses such as compensation, and the effects of depreciation in Renminbi and other currencies during the corresponding period of last year, profit attributable to owners in the beverage business for the third quarter of 2016 amounted to US\$68.667 million, representing an increase of by 91.94% yoy. Profit margin attributable to owners increased by 1.87 ppt yoy to 4.05%.

According to the data from AC Nielsen, sales volume and sales amount of the beverage industry in China for the third quarter of 2016 grew by 4.6% and 5.4% yoy respectively, the increases were outperformed when compared to the second quarter. In the third quarter of 2016, the ready-to-drink (RTD) tea (including milk tea) of the Group accounted for 54.2% of the sales volume in the market, continued to rank the first in the market steadily. Market share for the Group's bottled water sales volume was 16.2%, ranking No. 3 in the market and has increased when compared to market share in the second quarter. By leveraging on the fruit juice brands under Master Kong and Pepsi's Tropicana, the market share in the overall juice drink market was 19.2%, ranking No. 2 in the market.

According to the data of Canadean's database for the third quarter of 2016, the overall market share of Pepsi Cola carbonated soft drinks (CSD) increased to 31.4% in the market and gained 49.4% in the cola drink market in the third quarter of 2016, is the No.1 brand in the market. In the juice flavour CSD market, the market share was 40.1%, ranking the second.

RTD tea: Master Kong Ice Tea, the flagship product, has successfully enhanced the brand image and recorded contrarian growth amid a saturated market by working with international IP NBA and Disneyland. Master Kong Green Tea, through joint IP activities in broadcasting the drama Noble Aspirations (青雲志) in the third quarter, has successfully interpreted the fantasy of contemporary young people, driving significant growth in performance. The Jasmine Tea series, catching the IP effect of the drama "Charming the City with a Smile (微微一笑很傾城)" coupled with fermentation of the screen couple Zheng Shuang and Yang Yang, the annual spokespersons of the product, has leveraged the opportunity to promote the Jasmine Fruit Tea, a new product of the year which recorded significant growth in performance in the third quarter and added romance for young consumers. Nong Nong Lemon Tea (濃濃檸檬茶), a new product that stressed rich enjoyment with enhanced taste and launched for diversified market, has met the market demand of young white-collar workers for upgraded enjoyment.

Carbonated drinks: Pepsi created the universal "Live For Now (奪罐就現在)" theme marketing activities in the third quarter of 2016 by taking advantage of the global sports events and working with popular entertainment stars and sports stars. Eight models of emoji expressions on cans have attracted fans over the country for collection. Dissemination coupled with online and offline integrating promotion enhanced brand preferences and drove sales growth. Mirinda worked with the largest domestic video site iqiyi.com to launch the "Happy Force, Instant Collection (開心原力碼上集)" theme activities for online and offline integrated marketing, which, coupled with the unfolding of caravan activities, have strengthened communication among the brand and consumers and effectively enhanced the "joyful" image of the brand. 7-up continued the "Open the Cap for Double Surprises (開瓶有驚喜,喜上加喜)" bringing another bottle activity which with the help of online advertisement and the on-going fever created by a hot online drama, has attracted attention.

Bottled water: Since April, adjustment has been made to the strategy for Master Kong bottled drinking water by returning the pricing to the RMB1 to RMB1.5 market to recapture the market shares. The third quarter saw the result with significant growth in performance. The "Youyue purified water" has recorded increasing brand awareness and market shares since its launch in April, and the 74 plants that produced the Youyue purified water have obtained the NSF International certification, ensuring the food safety of the Youyue purified water and shaping its image as an international brand.

Juice drinks: The Group's juice drinks recorded a single digit growth this quarter. The Rock Candy Pear continued to have several specifications and scene marketing with steady performance. The honey grapefruit in the Light Fruit series with an easy health concept continued to record growth. Mango Xiaolao (芒果小酪), an innovative new product, was well received by consumers and one of the sources of performance growth. Passionfruit (金橙百香果, the extended taste of the Tropicana), which had a regional launch in July, received positive feedback from consumers and recorded excellent sales performance. As western-style juices had met consumers demand for good taste and health, both Master Kong and Daily-C recorded an overall growth. The Traditional Fruit Mix Sour Plum (傳世清飲酸梅湯) in Chinese style fruit juices, positioned "refreshing and desolving grease", met the requirement for cooling in the summer heat and recorded rapid and significant growth in performance under the channel expansion strategy.

Milk drinks/Lactic acid bacteria drinks: As the market for room temperature milk products in China continued to grow, Wei Chuan's LPF bacteria formula room temperature lactic acid bacteria beverage, with a focus on Shanghai and Eastern China cities, has successfully constructed several tens-of-millions yuan grade cities, and has also become the No.1 brand of room temperature lactic acid bacteria beverage in Shanghai and Jiangsu, representing a new growth point of beverage business.

Functional drinks: The semi-final of the "One Shot One Million" basketball match, hosted by Gatorade the sports drinks company across China since July 2016, was widely disseminated and praised among core consumer groups. The carnival for vitamin drinks V-Power was successfully held in Southwestern China in August, with the spokesperson appearing in onsite activities having close interaction with consumers. The product features were conveyed through interactive games, and the activity received hot response.

Coffee drinks: In the cooperation with international strategic partner Starbucks, launching of bottled Frappuccino of Starbucks in Mainland China was fully driven in the third quarter of 2016. The bottled Frappuccino of Starbucks upon launching to the market will be able to better satisfy the demand of consumers in China, and will further explore the potential of the high-end market of ready-to-drink coffee in China.

In the first half of 2016, as the overall growth of the beverage industry continued to slow down, Master Kong continued to pay attention to the trend of consumption upgrade and the industry development, consolidated the market performance of its core products in the third quarter, and developed new growth momentum of performance through launching and marketing new products to meet the diversified demands of consumers. Meanwhile, we also enhanced brand competitiveness and product awareness through cooperation with influential large-scale activities such as the NBA Preseason Games in China. In June 2016, when the grand opening of Disneyland took place in the summer peak season, sales of Pepsi drinks recorded double digit growth. Theme marketing activities were planned to strengthen win-win cooperation among the brand and its customers. In terms of food safety, Master Kong still continued to strengthen food safety management, kept improving supervision mechanisms and traceability management processes, enhanced efficiency of production and inventory management, improved production and sales coordination, and optimized the cooperation models with distributors. In addition, we also deepened the synergies of internal and external resources within the Master Kong & PepsiCo alliance, strengthened the overall competitiveness of the Group, and continued to provide healthy and safe products that make consumers feel at ease.

Apart from implementing the internal process optimization plan, the supply chain strategy of the beverage industry still continued to focus on the persistent implementation of the overall food safety policy and source tracing system to realize our commitment on food safety by completing the safety and compliance screening of raw materials/packing materials to ensure that the products have complied with the regulatory standards.

Instant Food Business

According to the latest data of Nielsen, the overall performance of the traditional biscuit market in the third quarter of the year was poor. The overall sales volume in the biscuit market declined by 2.0% on a yoy basis in the third quarter of 2016, while the sales amount slightly declined by 0.5% yoy. The decline in sandwich cracker was more obvious, sales volume decreased by 2.8% yoy and sales amount decreased by 2.7% yoy. In terms of sales amount, the market share of Master Kong egg rolls was 19.0% and ranking the first in the market, while the market share of sandwich cracker was 12.4% and ranking the second highest in the market.

Despite the overall slowdown of the industry, the Company still continued to promote various reforms under the overall strategy of “Reform, Focus and Re-Start”, with initial results achieved in supply chain integration during the quarter. During the period, the Company optimized its product mix, refined production operation and strengthened control of sales and management cost so that profit losses can be substantially reduced. Furthermore, the Company eyed on long-term business plans and strategic layouts, and actively developed international strategic cooperation in view of the fast-growing import food market. During the period, the Company signed a cooperation agreement with an international biscuit company which is ranked among the top three for agency distribution of the renowned Digestive Biscuits in the mainland China to meet the diversified demand of consumers and pipeline customers.

In the third quarter of 2016, the revenue of the group’s instant food business was US\$34.765 million, which dropped by 4.06% yoy, representing 1.28% of the Group’s total revenue. During the period, the instant food business benefited from an increase in production scale and the declining prices of raw materials, gross profit margin grew by 4.58 ppt to 37.02% yoy. Meanwhile, the Group optimized the supply chain network and strictly control various expenses during the period, resulting in a reduction of overall losses in the third quarter of 2016 to a loss of US\$1.172 million, improved by 79.26% yoy.

In response to the change in market demand brought about by the rise of the middle class and urbanization, apart from ongoing focus on cakes to consolidate existing product types, we also accelerated original product improvement and new product development, and enhanced market shares and integrated gross profit advantage through high-end products, meeting packaging specification, price diversification strategy, and optimization of product mix and structures. We also continued to strengthen and expand development and management in the promotion of new pipelines, and actively established pipeline strategic partnerships to carry out cross-industry cooperation and build diversified small business models in order to meet diversified product demand of consumers. We also activated fixed assets, maximized utilization of existing machinery and equipment, and continued to promote production process automation and manpower reduction, so as to enhance synergies and strengthen cost competitiveness.

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 2016, the Group's cash and bank deposits totalled US\$2,110.519 million, an increase of US\$1,086.819 million from 31 December 2015. A sufficient amount of cash holding was still maintained. As at 30 September 2016, the Group's total assets and total liabilities amounted to approximately US\$9,184.431 million and US\$5,271.015 million respectively. This showed increases in US\$702.925 million and US\$683.770 million respectively compared to 31 December 2015. The debt ratio increased by 3.30 ppt to 57.39% compared to 31 December 2015. Gearing ratio was 0.11 times, 0.38 ppt lower than the ratio on 31 December 2015.

As at 30 September 2016, the Group's total interest bearing borrowings decreased by US\$19.356 million to US\$2,430.209 million. During the period, the Group's proportion of the total borrowings denominated in foreign currencies and Renminbi were 71% and 29% respectively, as compared to 79% and 21% respectively as at 31 December 2015. The proportion between the Group's long-term borrowings and short-term borrowings was 39% and 61% respectively, as compared to 54% and 46% respectively as at 31 December 2015. Considering the diverged trends of the interest rates between Renminbi and the US dollars and the Group itself, the Group has adjusted its financing strategy since September 2015 to increase its proportion of onshore financing and to reduce its foreign currencies financing. The Group expects to increase its Renminbi borrowing, and the proportion of Renminbi borrowing of the Group's total borrowings will be increased gradually.

During the period, Renminbi depreciated against US dollar by 2.72%, due to the fluctuation of exchange rate, brought realized/unrealized exchange losses of US\$8.096 million in the Group's income statement from January to September 2016.

In 2014, the Group announced a voluntary retirement plan (the "Plan") for its employees as a result of an integration programme of its Pepsi beverage business. The Group has made an offer of the Plan to the affected employees who can apply to accept the offer of benefits in exchange for the termination of their employments. The termination benefits of US\$16.045 million have been recognised as expenses during the nine-month period ended 30 September 2016.

The joint ventures and associates in the Pepsi beverage business of the Group (the "Joint Ventures and Associates") have, based on their own operation requirements, also implemented a compensation plan (the "Compensation Plan") which is similar to the Plan. During the nine-month period ended 30 September 2016, the Group has committed for the payment of US\$14.268 million arising from the Compensation Plan and such payment has been recognized as expenses by the Group.

Financial Ratio

	As at 30 September 2016	As at 31 December 2015
Finished goods turnover	9.76 Days	10.87 Days
Trade receivables turnover	11.01 Days	9.46 Days
Current ratio	0.79 Times	0.68 Times
Debt ratio (Total liabilities to total assets)	57.39%	54.09%
Gearing ratio (Net debt to equity attributable to owners of the Company)	0.11 Times	0.49 Times

HUMAN RESOURCES

As of 30 September 2016, the Group had 66,050 employees. Master Kong implemented strategic transformation of its human resources, strengthened the talent development system, built a human resources sharing service center to deepen and incorporate the corporate culture into the selection, education, utilization and retention of talents, and introduced the 360-degree talent assessment tools for precise training, implemented middle- and high-level cadre development program, and promoted strategic talent development mechanism, focusing on the development of strategic talents and building the echelon of talent at all levels.

Regarding cooperation with universities, Master Kong has always considered cultivation of first-class talents as one of the Group's mission. Meanwhile, we are committed to the nurturing of more professionals for China's food industry, and have established cooperative relationships with a number of well-known domestic and international academic institutions and provided scholarship mechanism. In view of the long-term excellent cooperation with domestic and foreign key universities, we have launched the Master Kong 2017 Dream Scholarship Program, so as to provide a steady stream of new and high-quality talents, to forge the employer brand and product brand of Master Kong.

CORPORATE SOCIAL RESPONSIBILITY

Master Kong always adheres to the principles of "sustainable operation, contribution to society" in performing its social responsibilities as a corporate citizen. Except for strategically planning and establishing a corporate social responsibility system, we also assimilate the corporate social responsibility into our corporate culture, improve the awareness of corporate social responsibility of all staff, as well as implement social responsibility during the ordinary course of business, so as to achieve contribution towards society and environment.

For social contribution, Master Kong has responded actively to the call from central government and has fully performed corporate responsibilities of food safety by consolidating various resources to promote the dissemination of scientific knowledge in food safety. In 2016, Master Kong continues to be the sole sponsor of the second University Students Public Food Safety Science Innovation Contest. Besides, Master Kong also invites participated university students of the Food Safety Camp (食安熱力營) to visit the local instant noodles and beverage plants, so they can personally experience the production of a pack of instant noodle and a bottle of drink, and they can understand the management and perseverance on food safety of a modernised food processing enterprise.

Meanwhile, Master Kong has built a food safety popular science education base – the dream exploration paradise (夢想探索樂園) - for youths in Hangzhou in June this year, children and parents are educated on the production process of instant noodles and relevant nutrition and health knowledge through interactive games and experience. The dream exploration paradise has been recognized as the "District Youth Science Demonstration Base (區青少年科普示範基地)" by the Science and Technology Society of Hangzhou Economic and Technology Development Zone (杭州經濟技術開發區科學技術協會). In addition, Master Kong Instant Noodle Museum and Master Kong Beverage Pavillion located in the Tianjin Development Zone are also functioning as a "National Food Safety Popular Science Education Base (全國食品安全科普教育基地)". As one of the first enterprises which have been granted the title of "Popular Science Education Base for Consumers in China (中國消費者科普教育基地)", Master Kong also joins the China Nutrition and Health Food Association in launching the "Food Safety Transparency Consumption Plan (食品安全透明消費計劃)". Master Kong has made relentless efforts in the development of Chinese food safety popular science education.

Apart from continuous support of the safety popular science charity, Master Kong also expanded the scope of community return to sports event, so as to encourage youths to actively participate in salubrious sports. As a well-known Chinese fast moving consumer goods brand, Master Kong has an immense young consumer group and has always promoted the philosophy of healthy lifestyle. Master Kong continues to increase investment in sport events, from co-operated with Tianjin TEDA Football Club at the earliest, to sponsor NBA China Game and CUBA (Chinese University Basketball Association); and the "Master Kong Rio Noodles Restaurant" during the Olympic Games in this year, and the landmark running race held in China, namely the Youyue•Li-Ning 10K Running League, which was rated with professional athletic standards, Master Kong identities "healthy" and "safety" as the common points between sport and food, and closely combined both together.

For environmental contribution, as a leading enterprise in the food industry, Master Kong deeply understands that an enterprise should assume responsibility for environmental protection during the course of operation and development. The plants of Master Kong all clearly implement the philosophy of sustainable development. As such, for environmental protection, subject to compliance with laws and regulations, Master Kong constantly improves management level and gradually complies with the requirements of ISO14000 environment management system, and identifies the environmental risk during the course of production, as well as establishes a series of pertinent and feasible environment management procedures. Master Kong strictly implements every indicator and requirement of energy-saving and emission-reduction during the ordinary course of production and business. Taking the beverage plants of Master Kong as an example, they implement a five-year plan focused on energy-saving and emission-reduction, and develop relevant evaluation, management and reward measures for energy-saving, which achieved a remarkable result in reduction of carbon dioxide emissions in the third quarter of 2016. In the third quarter of 2016, the supply chain center of instant noodle business of Master Kong commenced the environmental protection strategy of resources recovery and reuse, in addition to production cost-saving, the emissions of carbon dioxide can be substantially decreased. Master Kong constantly explores the energy-saving transformation of plants while the monthly energy-consumption and water-consumption evaluation of plants were implemented in Pepsi beverage business. The PepsiCo Beverage (Zhengzhou) Plant was also awarded the “Energy and Environment Design Pioneer Award” (能源與環境設計先鋒獎) by the U.S. Green Building Council. Instant noodle business of Master Kong also actively promotes energy-boosting, emission-reduction and green production. In September 2016, Tianjin Tingyuan actively received carbon emissions examination, which supported and rewarded by the management committee of the Tianjin Development Area and has received the title of “Annual Green Partnership” (年度綠色合作夥伴) for consecutive two years.

Awards and Honors

In August 2016, the innovative Fresh Banquet series of Master Kong was awarded the “Global Food Industry Award – Product Innovation Award” (全球食品工業獎—產品創新獎) in the 18th World Congress of Food Science and Technology convened by International Union of Food Science and Technology (“IUFoST”). In September 2016, Master Kong was awarded various awards in the “16th Instant Food Conference”(第十六屆方便食品大會); among which, black and white pepper, just-cooked ramen and pot-cooking ramen were accredited as “2015-2016 Innovative Product” (2015-2016年度創新產品) in instant noodle category; “Cui Xuan Feng with snow pea” was awarded the “Innovative Product Award” (創新產品獎) in instant food category; black and white pepper instant noodles series awarded the “2016 Most Popular Instant Food Award” (2016年最受歡迎的方便食品獎).

Numerous awards represent the recognition of Master Kong from industry experts and the consumer market. “Abide in social responsibility, innovation lead development” (堅守社會責任,創新引領發展) reflects Master Kong’s relentless efforts on food safety and product innovation. Master Kong has been truly bring a reassuring, healthy, tasty and modern good life for consumers.

PROSPECTS

Looking ahead to the fourth quarter of 2016, the Group will focus on sustainable development and make long-term strategic investments, we will also continue to focus on the demand of customers with an unswerving attitude, and continue to launch innovative product portfolios with different price range to satisfy consumer groups with different demands with its existing strategy of products with various price ranges and enhance online and offline brand communication of channels and end-consumers. In the past, the Group still continued to insist in the direction of industry upgrading under the market pressure of promoting industrial upgrading for several times, it is expected that the business environment during the year will still be affected by the unfavorable factors presented in the first half, thus the overall business outlook is still challenging. Under the relative slow-down economic environment, the Group will pay greater effort on sales management and strive to further enhance the efficiency of its operations, and continue to prudently manage our costs. The group’s operational management is transiting in phases from a traditional base towards an open and collective leadership style, which processes will not affect the company business vision. When we enter the next period of development and transformation stage, in addition to focusing on the development of our well-established competitive advantages, continuity and sustainability of our business will also be ensured; meanwhile, to cope with the existing and future business needs of the Group with reforming organizational structure, we are able to focus on the long-term development opportunities and strive to bring stable business development, sound and solid growth for the Group, so as to develop and strengthen the leading position of Master Kong brand in instant food and beverage in China.

CORPORATE GOVERNANCE

The Company has, throughout the period ended 30 September 2016, 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.

The Company will continue to periodically review and improve its 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.

Remuneration and Nomination Committee

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

Internal Control and Risk Management

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

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules 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 period ended 30 September 2016.

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

The summary below sets out the details of movement of the share options during the nine months ended 30 September 2016 pursuant to the Share Option Scheme: (Table B)

Name	Date of grant	Exercise price HK\$	Closing price of the shares on the date of grant HK\$	Balance as at 1 January 2016	Number of share option			Balance as at 30 September 2016	Weighted average closing price immediately before exercise HK\$	Note
					Granted during the period	Exercised during the period	Cancelled/lapsed during the period			
Executive Director										
Wei Ing-Chou	20 March 2008	9.28	8.55	2,000,000	—	—	—	2,000,000	—	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)
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)
Other employees in aggregate										
Other employees in aggregate	20 March 2008	9.28	8.55	2,864,000	—	—	—	2,864,000	—	Table A (1)
	22 April 2009	9.38	9.37	11,214,000	—	—	—	11,214,000	—	Table A (2)
	1 April 2010	18.57	18.42	9,879,000	—	—	—	9,879,000	—	Table A (3)
	12 April 2011	19.96	19.96	12,820,000	—	—	—	12,820,000	—	Table A (4)
	26 April 2012	20.54	19.88	7,500,000	—	—	—	7,500,000	—	Table A (5)
	27 May 2013	20.16	20.05	8,160,000	—	—	—	8,160,000	—	Table A (6)
	17 April 2014	22.38	22.35	9,284,500	—	—	174,500	9,110,000	—	Table A (7)
	5 June 2015	16.22	15.92	13,322,000	—	—	620,000	12,702,000	—	Table A (8)
	4 July 2016	7.54	7.54	—	5,848,000	—	—	5,848,000	—	Table A (9)
Total				94,351,500	10,148,000	—	794,500	103,705,000		

For the period of nine months ended 30 September 2016, no option had been exercised during the period.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE OFFICER IN SHARES

As at 30 September 2016, the interests and short positions of the Directors and Chief Executive Officer in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”) which are required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

(a) Long position in Shares and underlying Shares

Name	Number of ordinary shares		Percentage of the issued share capital	Number of underlying shares held under share options (Note 2)
	Personal interests	Corporate interests (Note 1)		
Directors				
Wei Ing-Chou	13,242,000	1,882,927,866	34.12%	15,250,000
Wei Hong-Ming	—	1,882,927,866	33.61%	—
Chief Executive Officer				
James Chun-Hsien Wei	—	—	—	8,358,000

(b) Long position in shares of associated corporation

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

Note:

- 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 Corp., and 6.482% by China Foods Investment Corp., a subsidiary of Asahi Group Holdings, Ltd., and as to the remaining 0.683% by unrelated third parties. Ho Te and Rich Cheer were owned as to 100% by Profit Surplus Holdings Limited (“Profit Surplus”). Profit Surplus is the trustee of a unit trust, which is in turn held by four discretionary trusts in equal proportions. HSBC International Trustee Limited is the trustee of each of the above four discretionary trusts, the settlors and discretionary objects of the above four discretionary trusts are as follows:
 - Wei Chang Lu-Yun is the settlor of one of the above discretionary trusts with Wei Chang Lu-Yun’s family members (including Wei Hong-Ming) as discretionary objects;
 - Lin Li-Mien is the settlor of one of the above discretionary trusts with Lin Li-Mien’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.
- 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.

James Chun-Hsien Wei holds 8,358,000 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.
- These 180,008 shares are held by and registered under the name of Ting Hsin. Please refer to note 1 for the shareholding structure of Ting Hsin.

Save as disclosed above, at no time during the period ended 30 September 2016 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 2016, 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 2016, the interests or short positions of substantial shareholders and other persons of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company, were as follows:

Name of shareholder	Capacity	Number of shares held	% of the issued share capital
Interest of Substantial Shareholders			
Ting Hsin (see note 1)^	Beneficial owner	1,882,927,866 (L)	33.61
Ho Te Investments Limited (see note 1)^	Interest of controlled company	1,882,927,866 (L)	33.61
Rich Cheer Holdings Limited (see note 1)^	Interest of controlled company	1,882,927,866 (L)	33.61
Profit Surplus Holdings Limited (see note 1)^	Trustee of a unit trust	1,882,927,866 (L)	33.61
HSBC International Trustee Limited (see note 1)^	Trustee of discretionary trusts	1,882,927,866 (L)	33.61
Wei Chang Lu-Yun (see notes 1 & 2)^	Settlor of a discretionary trust	1,911,419,866 (L)	34.12
Lin Li-Mien (see note 1)^	Settlor of a discretionary trust	1,882,927,866 (L)	33.61
Wei Hsu Hsiu-Mien (see note 1)^	Settlor of a discretionary trust	1,882,927,866 (L)	33.61
Wei Tu Miao (see note 1)^	Settlor of a discretionary trust	1,882,927,866 (L)	33.61
Sanyo Foods Co., Ltd.	Beneficial owner	1,882,927,866 (L)	33.61

^: Note 1 and 2 are set out on page 28

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 2016.

BOARD OF DIRECTORS

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

By Order of the Board
Wei Ing-Chou
Chairman

Shanghai, the PRC, 28 November 2016

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

* For identification purpose only