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

2015
INTERIM REPORT

现代好生活十
Life Plus Delicacy

Incorporated in Cayman islands with limited liability
Stock Code： 0322

*For identification purposes only

SUMMARY

	For the three months ended 30 June			For the six months ended 30 June		
US$'000	**2015**	**2014**	**Change**	**2015**	**2014**	**Change**
• Turnover	2,549,223	2,722,649	↓ 6.37%	4,870,402	5,504,418	↓ 11.52%
• Gross margin	34.02%	31.78%	↑ 2.24 ppt.	32.89%	31.07%	↑ 1.82 ppt.
• Gross profit of the Group	867,179	865,393	↑ 0.21%	1,602,049	1,710,493	↓ 6.34%
• EBITDA	349,914	339,228	↑ 3.15%	679,638	703,414	↓ 3.38%
• Profit for the period	139,515	164,129	↓ 15.00%	273,292	336,999	↓ 18.90%
• Profit attributable to owners of the Company	90,645	103,547	↓ 12.46%	197,659	231,906	↓ 14.77%
• Earnings per share (US cents)						
Basic	1.62	1.85	↓ 0.23 cents	3.53	4.14	↓ 0.61 cents
Diluted	1.62	1.84	↓ 0.22 cents	3.52	4.13	↓ 0.61 cents

At 30 June 2015, cash and cash equivalents was US$1,315.889 million an increase of US$132.786 million when compared to 31 December 2014. Gearing ratio was 0.40 times.

2015 INTERIM RESULTS

The Board of Directors of Tingyi (Cayman Islands) Holding Corp. (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2015 together with the comparative figures for the corresponding period in 2014. The interim results report of the Group for 2015 was unaudited but has been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT
For the Three Months and Six Months Ended 30 June 2015 (Unaudited)

	Note	**April to June 2015** *US$'000*	**January to June 2015** *US$'000*	**April to June 2014** *US$'000*	**January to June 2014** *US$'000*
Turnover	2	2,549,223	4,870,402	2,722,649	5,504,418
Cost of sales		(1,682,044)	(3,268,353)	(1,857,256)	(3,793,925)
Gross Profit		867,179	1,602,049	865,393	1,710,493
Other revenue and other net income		70,877	95,926	76,865	109,774
Distribution costs		(533,140)	(964,075)	(591,573)	(1,105,475)
Administrative expenses		(91,765)	(174,125)	(86,670)	(168,770)
Other operating expenses		(94,254)	(131,957)	(42,011)	(69,685)
Finance costs	5	(15,882)	(30,890)	(10,039)	(20,900)
Share of results of associates and joint ventures		6,132	9,829	7,929	9,472
Profit before taxation	5	209,147	406,757	219,894	464,909
Taxation	6	(69,632)	(133,465)	(55,765)	(127,910)
Profit for the period		139,515	273,292	164,129	336,999
Attributable to:					
Owners of the Company		90,645	197,659	103,547	231,906
Non-controlling interests		48,870	75,633	60,582	105,093
Profit for the period		139,515	273,292	164,129	336,999
Earnings per share	7				
Basic		US 1.62 cents	US 3.53 cents	US 1.85 cents	US 4.14 cents
Diluted		US 1.62 cents	US 3.52 cents	US 1.84 cents	US 4.13 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Three Months and Six Months Ended 30 June 2015 (Unaudited)

	April to June 2015 US$'000	January to June 2015 US$'000	April to June 2014 US$'000	January to June 2014 US$'000
Profit for the period	139,515	273,292	164,129	336,999
Other comprehensive (loss) income				
Items that are or may be reclassified subsequently to profit or loss:				
Exchange differences on consolidation	(3,809)	(5,607)	12,159	(104,649)
Fair value changes in available-for-sale financial assets	5,559	6,260	–	–
Reclassification adjustments relating to available-for-sale financial assets disposed of during the period	(5,736)	(5,736)	–	–
Other comprehensive (loss) income for the period	(3,986)	(5,083)	12,159	(104,649)
Total comprehensive income for the period	135,529	268,209	176,288	232,350
Total comprehensive income attributable to:				
Owners of the Company	88,803	195,559	113,084	155,335
Non-controlling interests	46,726	72,650	63,204	77,015
	135,529	268,209	176,288	232,350

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2015

	Note	At 30 June 2015 (Unaudited) US$'000	At 31 December 2014 (Audited) US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		5,837,941	5,859,905
Prepaid lease payments		741,528	737,387
Intangible assets		26,928	27,305
Interest in associates		34,621	31,973
Interest in joint ventures		81,348	74,153
Available-for-sale financial assets		92,503	79,052
Deferred tax assets		52,502	53,009
		6,867,371	6,862,784
Current assets			
Financial assets at fair value through profit or loss		2,800	2,352
Inventories		435,911	386,958
Trade receivables	9	295,411	238,239
Prepayments and other receivables		516,359	532,621
Pledged bank deposits		20,992	12,203
Bank balances and cash		1,294,897	1,170,900
		2,566,370	2,343,273
Total assets		9,433,741	9,206,057

	Note	At 30 June 2015 (Unaudited) US$'000	At 31 December 2014 (Audited) US$'000
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	10	28,019	28,019
Share premium		65,686	65,421
Reserves		2,941,920	2,940,117
Total capital and reserves attributable to owners of the Company		3,035,625	3,033,557
Non-controlling interests		1,095,018	1,062,107
Total equity		4,130,643	4,095,664
Non-current liabilities			
Long-term interest-bearing borrowings	11	1,239,214	1,246,720
Employee benefit obligations		29,860	28,702
Deferred tax liabilities		216,119	198,487
		1,485,193	1,473,909
Current liabilities			
Trade payables	12	1,174,324	896,131
Other payables and deposit received		1,242,454	1,233,472
Current portion of interest-bearing borrowings	11	1,288,489	1,382,034
Advance payments from customers		55,477	100,522
Taxation		57,161	24,325
		3,817,905	3,636,484
Total liabilities		5,303,098	5,110,393
Total equity and liabilities		9,433,741	9,206,057
Net current liabilities		(1,251,535)	(1,293,211)
Total asset less current liabilities		5,615,836	5,569,573

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Six Months Ended 30 June 2015

	Attributable to owners of the Company					
	Issued capital (Unaudited) *US$'000*	**Share premium (Unaudited)** *US$'000*	**Reserves (Unaudited)** *US$'000*	**Total capital and reserves (Unaudited)** *US$'000*	**Non-controlling interests (Unaudited)** *US$'000*	**Total Equity (Unaudited)** *US$'000*
At 1 January 2014	27,982	53,431	2,798,879	2,880,292	1,046,095	3,926,387
Profit for the period	–	–	231,906	231,906	105,093	336,999
Other comprehensive loss:						
Exchange differences on consolidation	–	–	(76,571)	(76,571)	(28,078)	(104,649)
Total other comprehensive loss	–	–	(76,571)	(76,571)	(28,078)	(104,649)
Total comprehensive income for the period	–	–	155,335	155,335	77,015	232,350
Transactions with owners of the Company:						
Contributions and distribution						
Equity settled share-based transactions	–	–	7,206	7,206	–	7,206
Shares issued under share option scheme	17	5,504	(1,331)	4,190	–	4,190
2013 dividend approved and paid	–	–	(204,324)	(204,324)	(38,504)	(242,828)
Total transactions with owners of the Company	17	5,504	(198,449)	(192,928)	(38,504)	(231,432)
At 30 June 2014	27,999	58,935	2,755,765	2,842,699	1,084,606	3,927,305

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Six Months Ended 30 June 2015

	Attributable to owners of the Company					
	Issued capital (Unaudited) *US$'000*	Share premium (Unaudited) *US$'000*	Reserves (Unaudited) *US$'000*	Total capital and reserves (Unaudited) *US$'000*	Non-controlling interests (Unaudited) *US$'000*	Total Equity (Unaudited) *US$'000*
At 1 January 2015	28,019	65,421	2,940,117	3,033,557	1,062,107	4,095,664
Profit for the period	–	–	197,659	197,659	75,633	273,292
Other comprehensive loss:						
Exchange differences on consolidation	–	–	(2,624)	(2,624)	(2,983)	(5,607)
Fair value changes in available-for-sale financial assets	–	–	6,260	6,260	–	6,260
Reclassification adjustments relating to available-for-sale financial assets disposed of during the period	–	–	(5,736)	(5,736)	–	(5,736)
Total other comprehensive loss	–	–	(2,100)	(2,100)	(2,983)	(5,083)
Total comprehensive inome for the period	–	–	195,559	195,559	72,650	268,209
Transactions with owners of the Company:						
Contributions and distribution						
Equity settled share-based transactions	–	–	6,436	6,436	–	6,436
Shares issued under share option scheme	2	698	(127)	573	–	573
2014 dividend approved and paid	–	–	(200,067)	(200,067)	(39,739)	(239,806)
Shares repurchased	(2)	(433)	2	(433)	–	(433)
Total transactions with owners of the Company	–	265	(193,756)	(193,491)	(39,739)	(233,230)
At 30 June 2015	28,019	65,686	2,941,920	3,035,625	1,095,018	4,130,643

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Six Months Ended 30 June 2015

	January to June 2015 (Unaudited) *US$'000*	January to June 2014 (Unaudited) *US$'000*
OPERATING ACTIVITIES		
Cash generated from operations	938,250	1,159,210
The People's Republic of China ("PRC") enterprise income tax paid	(82,283)	(110,132)
Interest paid	(30,242)	(20,278)
Net cash from operating activities	825,725	1,028,800
INVESTING ACTIVITIES		
Interest received	24,878	35,766
Purchase of available-for-sale financial assets	(23,602)	(29,058)
Purchase of property, plant and equipment	(299,278)	(603,312)
Prepaid lease payments	(55,812)	(32,201)
Net cash inflow on disposal of a subsidiary	–	19,823
Others	3,162	14,172
Net cash used in investing activities	(350,652)	(594,810)
FINANCING ACTIVITIES		
Dividends paid to owners of the Company	(200,067)	(204,324)
Dividends paid to non-controlling interests	(39,739)	(38,504)
Proceeds from bank borrowings	509,635	541,052
Repayments of bank borrowings	(640,696)	(380,101)
Others	30,140	4,190
Net cash used in financing activities	(340,727)	(77,687)
Net increase in cash and cash equivalents	134,346	356,303
Cash and cash equivalents at 1 Janauary	1,183,103	1,249,890
Effect on exchange rate changes	(1,560)	(29,202)
Cash and cash equivalents at 30 June	1,315,889	1,576,991
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	1,294,897	1,553,051
Pledged bank deposits	20,992	23,940
	1,315,889	1,576,991

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

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

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

2. Turnover

The Group's turnover represents revenue arising from the sale of goods at invoiced value to customers, net of returns, discounts and Value Added Tax.

3. Segment information

Segment results

	For the Six Months ended 30 June 2015					
	Instant noodles (Unaudited) *US$'000*	**Beverages (Unaudited)** *US$'000*	**Instant food (Unaudited)** *US$'000*	**Others (Unaudited)** *US$'000*	**Inter-segment elimination (Unaudited)** *US$'000*	**Group (Unaudited)** *US$'000*
Turnover						
Revenue from external customers	1,792,100	2,961,883	66,798	49,621	–	4,870,402
Inter-segment revenue	37	226	88	63,371	(63,722)	–
Segment revenue	1,792,137	2,962,109	66,886	112,992	(63,722)	4,870,402
Segment results after finance costs	219,749	188,809	(6,749)	(4,299)	579	398,089
Share of results of associates and joint venture	–	14,035	(4,206)	–	–	9,829
Unallocated expenses, net	–	–	–	(1,161)	–	(1,161)
Profit (loss) before taxation	219,749	202,844	(10,955)	(5,460)	579	406,757
Taxation	(66,538)	(65,791)	–	(1,136)	–	(133,465)
Profit (loss) for the period	153,211	137,053	(10,955)	(6,596)	579	273,292

	For the Six Months ended 30 June 2014					
	Instant noodles (Unaudited) *US$'000*	**Beverages (Unaudited)** *US$'000*	**Instant food (Unaudited)** *US$'000*	**Others (Unaudited)** *US$'000*	**Inter-segment elimination (Unaudited)** *US$'000*	**Group (Unaudited)** *US$'000*
Turnover						
Revenue from external customers	2,033,801	3,332,107	89,615	48,895	–	5,504,418
Inter-segment revenue	25	381	57	44,302	(44,765)	–
Segment revenue	2,033,826	3,332,488	89,672	93,197	(44,765)	5,504,418
Segment results after finance costs	220,860	251,593	(5,698)	(8,365)	(841)	457,549
Share of results of associates and joint ventures	–	14,911	(5,439)	–	–	9,472
Unallocated expenses, net	–	–	–	(2,112)	–	(2,112)
Profit (loss) before taxation	220,860	266,504	(11,137)	(10,477)	(841)	464,909
Taxation	(59,630)	(69,494)	485	729	–	(127,910)
Profit (loss) for the period	161,230	197,010	(10,652)	(9,748)	(841)	336,999

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 profit (loss) before taxation, share of results of associates and joint ventures and unallocated expenses, net.

3. **Segment information** *(continued)*

Segment assets

	At 30 June 2015					
	Instant noodles (Unaudited) *US$'000*	**Beverages (Unaudited)** *US$'000*	**Instant food (Unaudited)** *US$'000*	**Others (Unaudited)** *US$'000*	**Inter-segment elimination (Unaudited)** *US$'000*	**Group (Unaudited)** *US$'000*
Segment assets	3,322,323	5,293,230	140,589	1,295,463	(829,136)	9,222,469
Interest in associates	–	34,224	397	–	–	34,621
Interest in joint ventures	–	68,803	12,545	–	–	81,348
Unallocated assets						95,303
Total assets						9,433,741
Segment liabilities	768,053	3,326,978	49,154	1,899,173	(770,120)	5,273,238
Unallocated liabilities						29,860
Total liabilities						5,303,098

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

Segment assets include all assets with the exception of interest in associates, interests in joint ventures and unallocated assets. Segment liabilities include all liabilities with the exception of employee benefit obligation.

4. **Seasonality of operations**

Due to the seasonal nature of the beverages segment, higher revenue is usually expected in the second and third quarters. Higher sales during the period from June to August are mainly attributed to the increased demand for packed beverages during the hot season.

5. **Profit before taxation**

This is stated after charging:

	April to June 2015 (Unaudited) *US$'000*	January to June 2015 (Unaudited) *US$'000*	April to June 2014 (Unaudited) *US$'000*	January to June 2014 (Unaudited) *US$'000*
Finance costs				
Interest on bank and other borrowings wholly repayable within five years	15,882	30,890	10,039	20,900
Other items				
Depreciation	131,066	258,005	125,671	249,288
Amortisatoin	6,873	8,864	2,058	4,083

6. **Taxation**

	April to June 2015 (Unaudited) *US$'000*	January to June 2015 (Unaudited) *US$'000*	April to June 2014 (Unaudited) *US$'000*	January to June 2014 (Unaudited) *US$'000*
Current tax – PRC Enterprise income tax				
Current period	59,698	115,151	44,488	109,008
Deferred taxation				
Origination and reversal of temporary differences, net	2,619	4,695	3,694	1,461
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	7,315	13,619	7,583	17,441
Total tax charge for the period	69,632	133,465	55,765	127,910

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 six months ended June 2015 and 2014.

The applicable PRC enterprise income tax for the PRC subsidiaries is at the statutory rate of 25% (2014: 25%).

According to the Tax Relief Notice (Cai Shui [2011] no. 58) on the Grand Development of Western Region jointly issued by the Ministry of Finance, the State Administration of Taxation and China Customs, foreign investment enterprises located in the western region of PRC with principal revenue of over 70% generated from the encouraged business activities are entitled to a preferential income tax rate of 15% for 10 years from 1 January 2011 to 31 December 2020. Accordingly, certain subsidiaries located in the Western Region are entitled to a preferential rate of 15% (2014: 15%).

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends distributed to foreign investors by the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings accumulated after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between PRC and jurisdiction of the foreign investors. For the Group's PRC subsidiaries, associates and joint ventures, the applicable rate is 10%. Deferred tax liability is provided on 50% of post-2007 net earnings of the Group's PRC subsidiaries that are expected to be distributed in the foreseeable future. The remaining 50% of post-2007 net earnings of the Group's PRC subsidiaries that are not expected to be distributed in the foreseeable future would be subject to additional taxation when they are distributed. Undistributed earnings of the Group's PRC associates and joint ventures are not subject to withholding tax as these companies are held by a PRC subsidiary.

7. Earnings per share

a) Basic earnings per share

	April to June 2015 (Unaudited)	January to June 2015 (Unaudited)	April to June 2014 (Unaudited)	January to June 2014 (Unaudited)
Profit attributable to ordinary shareholders (US$' 000)	90,645	197,659	103,547	231,906
Weighted average number of ordinary shares ('000)	5,604,059	5,604,034	5,597,817	5,597,133
Basic earnings per share (US cents)	1.62	3.53	1.85	4.14

b) Diluted earnings per share

	April to June 2015 (Unaudited)	January to June 2015 (Unaudited)	April to June 2014 (Unaudited)	January to June 2014 (Unaudited)
Profit attributable to ordinary shareholders (US$' 000)	90,645	197,659	103,547	231,906
Weighted average number of ordinary shares (diluted) ('000)				
Weighted average number of ordinary shares	5,604,059	5,604,034	5,597,817	5,597,133
Effect of the Company's share option scheme	8,137	8,906	18,815	18,420
Weighted average number of ordinary shares for the purpose of calculated diluted earnings per share	5,612,196	5,612,940	5,616,632	5,615,553
Diluted earnings per share (US cents)	1.62	3.52	1.84	4.13

8. Dividend

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (2014: nil).

9. Trade receivables

The majority of the Group's sales is cash-on-delivery. The remaining balances of sales are mainly at credit terms ranging from 30 to 90 days. The aging analysis of the trade receivables (net of impairment losses for bad and doubtful debts) based on invoice date, at the end of the reporting period is as follows:

	At 30 June 2015 (Unaudited) *US$'000*	At 31 December 2014 (Audited) *US$'000*
0 - 90 days	284,156	216,763
Over 90 days	11,255	21,476
	295,411	238,239

10. Issued capital

	At 30 June 2015 (Unaudited)		At 31 December 2014 (Audited)	
	No. of shares	**US$'000**	**No. of shares**	**US$'000**
Authorised:				
Ordinary shares of US$0.005 each	7,000,000,000	35,000	7,000,000,000	35,000
Issued and fully paid:				
At the beginning of the period/year	5,603,759,360	28,019	5,596,405,360	27,982
Shares issued under share option scheme	350,000	2	7,354,000	37
Shares repurchased	(220,000)	(2)	—	—
At the end of the reporting period	5,603,889,360	28,019	5,603,759,360	28,019

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

During the reporting period, the Company repurchased 220,000 ordinary shares at a consideration of approximately US$433,000, of which US$2,000 and US$433,000 was debited to issued capital and share premium respectively and US$2,000 was credited to capital redemption reserve.

11. Interest-bearing borrowings

	At 30 June 2015 (Unaudited) *US$'000*	At 31 December 2014 (Audited) *US$'000*
The maturity of the interest bearing borrowings:		
Within one year	1,288,489	1,382,034
In the second year	746,944	276,621
In the third year to the fifth years, inclusive	492,270	970,099
	2,527,703	2,628,754
Portion classified as current liabilities	(1,288,489)	(1,382,034)
Non-current portion	1,239,214	1,246,720

The interest-bearing borrowings consist of unsecured bank loans and notes issued by the Company on 20 June 2012 (the "Notes"). The carrying value of the Notes at the end of the reporting period is US$497,232,000 (2014: US$496,504,000) and is included in the interest-bearing borrowings with maturity in the second year (2014: in the third to fifth years). The Notes are listed on the Singapore Exchange Securities Trading Limited. The fair value of the Notes as at 30 June 2015 was US$515,525,000 (2014: US$516,950,000), which was based on the quoted market price.

During the six months ended 30 June 2015, the Group obtained bank loans in the amount of US$509,635,000 (2014: US$599,514,000) which were used for the acquisition of production facilities and working capital, and recognised amortised interest of the Notes of US$648,000 (2014: US$622,000). Repayments of bank loans amounting to US$640,696,000 (2014: US$380,101,000) 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 June 2015 (Unaudited) *US$'000*	At 31 December 2014 (Audited) *US$'000*
0 - 90 days	1,144,217	863,205
Over 90 days	30,107	32,926
	1,174,324	896,131

13. Fair Value Measurements

(a) Financial assets and liabilities carried at fair value

The following table presents the assets and liabilities measured at fair value or required to disclose their fair value in these condensed consolidated financial statements on a recurring basis at 30 June 2015 across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair Value Measurement*, with the fair value measurement categorised in its entirety based on the lowest level of input that is significant to the entire measurement. The levels are defined as follows:

– Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

– Level 3 (lowest level): unobservable inputs for the asset or liability.

	At 30 June 2015 (Unaudited)				At 31 December 2014 (Audited)			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Assets								
Available-for-sale								
– Investment funds	–	14,992	58,523	73,515	–	24,956	50,708	75,664
– Unlisted equity securities	–	–	15,600	15,600	–	–	–	–
Financial assets at fair value through profit or loss								
– Listed equity securities	2,800	–	–	2,800	2,352	–	–	2,352
	2,800	14,992	74,123	91,915	2,352	24,956	50,708	78,016
Liabilities								
Other payables and deposits received								
– Derivative financial instruments	–	–	314	314	–	–	314	314

During the six months ended 30 June 2015 and 2014, there was no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

The details of the movements of the recurring fair value measurements categorised as Level 3 of the fair value hierarchy are shown as follows:

	30 June 2015 (Unaudited)			30 June 2014 (Unaudited)		
	Investment Funds	Unlisted equity securities	Derivative financial instruments	Investment Funds	Unlisted equity securities	Derivative financial instruments
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At beginning of the period	50,708	–	(314)	21,275	–	(6,893)
Purchases	8,002	15,600	–	29,058	–	–
Disposals	(1,781)	–	–	–	–	–
Total gains or (losses) recognised:						
– in profit or loss	–	–	–	–	–	–
– in other comprehensive income	1,594	–	–	–	–	–
At the end of the reporting period	58,523	15,600	(314)	50,333	–	(6,893)

13. Fair Value Measurements *(continued)*

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

	Period ended 30 June 2015 (Unaudited)			Period ended 30 June 2014 (Unaudited)		
	Investment Funds	**Unlisted equity securities**	**Derivative financial instruments**	**Investment Funds**	**Unlisted equity securities**	**Derivative financial instruments**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Total gains or (losses) for the period reclassified from other comprehensive income on disposals	781	–	–	–	–	–
Change in unrealised gain or (losses) for the period included in profit or loss for assets and liabilities held at the end of the reporting period	–	–	–	–	–	–

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

(i) Available-for-sale: Investment funds

The fair value of an investment fund in Level 2 is valued based on the net asset value of each trust unit quoted by the trust administrator based on quoted prices of underlying investments i.e. listed equity and debt securities in an active market without adjustments.

The fair value of one of the investment funds in Level 3 is based on the net asset value of the investment fund reported to the investors by the investment manager as of the end of the reporting period. For the remaining investment funds in Level 3, their fair values are based on the fair values of the companies invested by the funds. All of the investment funds in Level 3 included both listed investments and unlisted investments. The fair value of listed investments are reference to quoted market price, while the fair value of unlisted investments which are valued by the respective investment managers are estimated by valuation techniques, mainly including using Price/earning ratio (P/E) multiple model and discounted cash flows model. In determining the fair value of unlisted investments, it include assumptions that are not supported by observable market prices or rates, including the expected annual growth rates, average P/E multiples of comparable companies and discount rates.

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

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

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

The derivative financial instruments are measured at fair value estimated based on Monte Carlo Simulation Model. The unobservable inputs used for the valuation of the Derivative financial instruments include fair value of the underlying assets, exercising price, time to maturity, US$ risk free rate, volatility of the underlying asset's price in HK$ and dividend yield.

There was no change in valuation techniques during the reporting period. The assumptions of the unobservable inputs used in Level 3 fair value measurement at the end of the reporting period were not significant different with those used in the Group's annual financial statements for the year ended 31 December 2014.

Sensitivity to changes in significant unobservable inputs

In the opinion of the directors, the impact of changes in significant unobservable inputs on the Level 3 fair value measurement and the Group's profit and other comprehensive income for the period were not significant different with those in the Group's annual financial statements for the year ended 31 December 2014, as there was no significant change in the reasonably possible range of significant unobservable inputs for Level 3 fair value measurements as at 30 June 2015 comparing to 31 December 2014.

13. Fair Value Measurements *(continued)*

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

Valuation processes used in Level 3 fair value measurement

In estimating the fair value of an asset or a liability within Level 3 of the fair value hierarchy, the Group uses market observable-data to the extent it is available. Where Level 1 inputs are not available, the Group obtains the valuations provided by the respective investment managers or trust administrator for the investment funds and unlisted equity securities. For the derivative financial instrument, the Group engaged independent qualified professional valuer to perform the valuation.

The Group's finance department includes a team that reviews the valuations performed by the investment managers or trust administrator of the investment funds and unlisted equity securities and the independent valuer for financial reporting purposes. The team reports directly to the senior management. Discussions of valuation processes and results are held between the management, investment managers or trust administrator of the investment funds or unlisted equity securities and independent valuer at least once every year. At each financial year end, the finance department works closely with the investment managers or trust administrator of the investment funds or unlisted equity securities and independent valuer to establish the appropriate valuation techniques and inputs to the valuation models, verifies all major unobservable inputs in the valuations, assesses valuations movements when compared to the prior year valuation report and holds discussions with the investment managers or trust administrator of the investment funds and unlisted equity securities and independent valuer. At the end of the reporting period, the finance department assessed fair values of an asset or a liability within Level 3 of the fair value hierarchy based on the valuations performed by investment managers or trust administrator and an independent valuer at preceding financial year end taking into account of any significant changes in the assumptions of the unobservable inputs used in fair value measurements during the reporting period.

(b) Fair values of financial assets and liabilities carried at other than fair value

In the opinion of the directors, except for the Notes 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 June 2015 and 31 December 2014.

14. Commitments

	At 30 June 2015 (Unaudited) *US$'000*	**At 31 December 2014 (Audited)** *US$'000*
(a) Capital expenditure commitments		
Contracted but not provided for		
Expenditures on property, plant and equipment	198,504	280,056
Investment funds	28,496	28,026
	227,000	308,082

(b) Commitments under operating leases

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

Within one year	47,909	47,235
In the second to fifth years, inclusive	86,739	75,865
After five years	35,536	42,214
	170,184	165,314

15. Related party transactions

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

	April to June 2015 (Unaudited) *US$'000*	January to June 2015 (Unaudited) *US$'000*	April to June 2014 (Unaudited) *US$'000*	January to June 2014 (Unaudited) *US$'000*
(a) Sales of goods to:				
Companies controlled by a substantial shareholder of the Company	6,427	11,823	6,311	12,138
Associates	7,229	12,071	6,781	11,684
Joint ventures	25,047	33,622	9,373	17,360
(b) Purchases of goods from:				
A group of companies jointly controlled by the Company's directors	90,600	176,671	95,412	211,576
A company jointly controlled by the Company's directors	10,671	38,157	14,816	34,575
Joint ventures	1,520	2,964	3,244	3,675

16. Contingent liabilities

In 2014, the Group announced a voluntary retirement plan (the "Plan") for its employees as a result of an integration programme of its Pepsi beverage business. The Group has made an offer of the Plan to the affected employees who can decide to accept the offer of benefits in exchange for the termination of their employments. The termination benefits of US$30 million have been recognised as expenses during the six-month period ended 30 June 2015. At 30 June 2015, the estimated possible obligation of termination benefits is amounted to approximately US$44 million (31 December 2014: US$70 million) which is expected to be settled between 2015 and 2016 if all the offers are accepted by qualified employees.

17. Event after the reporting period

On 6 August 2015, the Company issued notes with an aggregate principal amount of RMB1,000,000,000 (approximately US$161,103,000) (the "Notes Payable") at the offer price of 99.656% of the principal amount of the Note Payable. The Notes bear interest from 6 August 2015 at 4.375% per annum, payable annually on 6 August each year, beginning on 6 August 2016 and will mature on 6 August 2018 at the principal amount. The Notes Payable are the unsecured obligations of the Company.

18. Approval of interim financial statements

The interim financial statements of 2015 were approved by the board of directors on 24 August 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2015, the economy of China settled in its new normal state, with a slow but steady growth. The growth of GDP was 7% year-on-year, which was relatively low level for the past six years. The mass consumer resumed their confidences on the food and beverage industry in China, with their fundamental needs as to value-for-money being satisfied. Consumption will remain conservative, and the growth in the primary product categories being sluggish. With the rise of the affluent middle class, consumption in China became polarized. On the one hand, the market emerged with products that were diversified, pop-oriented and value-for-money in response to the demand from the consumers. On the other hand, products targeting at affluent middle class that are personalized, high-end and healthy were launched to absorb certain consumption demand. Meanwhile, the decline in the price of bulk raw materials procurement also offered the industry with opportunities to enhance profitability. To sum up, we are cautiously optimistic about our business prospects to the food and beverage industry for the second half of year.

As the leading enterprise of instant noodle and beverage in China, the Group operates on the principles to provide consumers at large with diversified and yet comprehensive, safe and delicious products and services. In terms of strategy, by leveraging on the powerful business execution team, the value system was completed digitalized. The market share of the cash cow products was further consolidated. Through the extension and upgrade by its products, the more diversified and high end demand of the consumers were satisfied. In addition, with respect to the deployment of the growth and development of the Group in future, innovative products, brands, and management technologies on qualities as well as resources for channel operations were actively introduced from international alliances and partners. Moreover with the succession of talent and organization, the development of our career will be more sustainable in the future.

In the first half of 2015, the Group's turnover decreased by 11.52% year-on-year to US$4,870.402 million. Turnover of instant noodles and beverages decreased by 11.88% and 11.11% respectively. However, the decline rates year-on-year of the Group overall operation and turnovers of each business during the second quarter have been slowed down as compared to that of the first quarter. During the period, benefiting from the fall in the prices of certain major raw materials, optimization of product mix and rationalization in production operations, gross profit margin was improved. The Group's gross profit margin in the first half of the year increased by 1.82 ppt. to 32.89% on a year-on-year basis, and the gross profit margin in the second quarter increased by 2.24 ppt. to 34.02% on a year-on-year basis, and increased by 2.36 ppt. on a quarter-on-quarter basis. As a more conservative trend in consumption was developed, the Group has been well controlled operation costs. During the period, distribution costs as a percentage of the total turnover was 19.79%, a decrease of 0.29 ppt. on a year-on-year basis. The EBITDA of the Group for the first half of 2014 decreased by 3.38% to US$679.638 million, which was attributable to the increase of integration expenses on a year-on-year basis. However, EBITDA margin increased by 1.18 ppt. to 13.95%. Profit attributable to owners of the Company dropped by 14.77% to US$197.659 million. Net profit margin was 4.06%, a decrease of 0.15 ppt. on a year-on-year basis. Earnings per share decreased by 0.61 US cents to 3.53 US cents.

INSTANT NOODLE BUSINESS

During the first half of 2015, the instant noodle industry was characterized with a fall in volume and an increase in price. During the second quarter, the sales volume of the market as a whole decreased by 5.3% year-on-year. However, through satisfying the needs of the mass consumers in terms of diversification, deliciousness and healthiness, the Group's products steadily occupied the absolute leading position in the market for more than ten years. According to Nielsen, in the second quarter of 2015, the market share of Master Kong instant noodles in term of sales volume was 46.0%, whilst in terms of sales amount was even up to 55.2%.

In the first half of 2015, the turnover of the Group's instant noodle business was US$1,792.137 million, a decrease of 11.88% on a year-on-year basis, and representing 36.8% of the Group's turnover. Benefited from the successful product upgrade strategy, and palm oil price was at low level and other material prices remained stable during the period, as a result, the gross profit margin of the instant noodle business increased by 3.01 ppt. to 30.3%. During the period, the Group has effectively controlled marketing and promotion expenses. Due to the sales decline, profit attributable to owners of the Company from the instant noodle business dropped by 4.97% on a year-on-year basis to US$153.211 million. Profit attributable to owners of the Company margin for the first half of 2015 rose by 0.62 ppt. to 8.55%. Profit attributable to owners of the Company for the second quarter was US$ 59.023 million, an increase of 1.47%. Profit attributable to owners of the Company margin for the second quarter rose by 0.87 ppt. to 7.45%.

Taking into account the consumption groups of instant noodles comprised of various strata of the society, the Group also devoted in the implementation of the following strategies to satisfy the needs of the consumers:

1. To implement the tracking system for food safety management, which provided assurance on the products and services to the consumer

2. To expand advantages of the mainstream products on the market continuously and steadily drive the upgrading of industrial standard

3. To strengthen the vitality of the brand, and to committedly provide convenient, delicious, affordable perfect and shopping experience to consumers at various strata of the society.

4. To encourage proactive innovation. By leveraging on the innovations on the taste and packaging, channels and regional development, brand management and technical mechanisms, the needs of consumers and the growth of the enterprises were met.

High-end Noodles

The Group maintained its absolute leadership at the high-end noodle market. As for strategies, we are committed to continue to upgrade the products that are well received by the consumers on an ongoing basis and leading the healthy development of the industry. We sought further growth continuously through the extension of tastes and specifications to satisfy the different needs of the consumers. For example, the new flavour “Braised Ribs” extended from our primary products, the”Braised Series” was well received soon after its launch into the market. In addition, in order to meet consumption needs of the consumers at different times, efforts were devoted to promote and enrich various packaging specification, such as fried noodles, jumbo bowl, big packet, mini cup. The range of specifications structure were improved uninterruptedly so as to become comprehensive. Faced with the pressure of the macro environment, Master Kong advocated “Persisting in Dreams, Supporting You All the Way”. Through combining activities to promote graduation season, the recognition of the brand by the younger community was enhanced. By leveraging on the concept CUBA (Chinese University Basketball League) basketball in making dreams come true, activities commenced to promote the games and creative theme event offline, which strongly attracted the students consumer groups, and further made the Master Kong brand younger.

The “Spicy Series” leveraged on the production of a movie based on the popular television drama series “Love Apartment”, which gained more than 200 million views on the video, and formed a new trendy topic on spicy food on the Internet. The sales of instant noodles on the electric appliances vendors platform by the Group also increased by 181%. With sophisticated production process, and the brand promotion activity of “It is cool to have the sour flavor but it is even cooler to have Master Kong”, the market share in pickled flavour market of the”Pickled Mustard Series” increased year-on-year. As to the seven brand segments, namely “Gravy Noodle”, “Youpo Spicy Sour Soup Noodle”, “Brittle Kelp and Beef Noodle”, “Chicken Mushroom Stew Noodle”, “Crisp Bamboo Shoots Fried Shredded Meat Noodle”, “Mushroom and Braised Chicken Noodle”, “Fresh Shrimp Fish Pan Noodle”, other than creating the new dining concept of “comfort food and balanced”, and catered the needs of consumers for enriched tastes, nutrition and healthiness, meeting social values and trends, they were well received by the consumers at large through the activities of “Eating Missions will be Accomplished (2)” with “delicious and fun” as the starting points. The Group also launched new series depending on the latest popular trends in food and beverages. In East China, Shanghai, and Beijing, we launched the “Pork Bone Noodle” that is “soup thick, taste is alcohol”, where in South China we launched the “Assorted Noodle with “rich materials and a rich taste”. This would offer the consumers with more abundant choices.

Moreover, faced with the increasing needs for high-end and healthy products from the affluent middle class, the Group continuously devoted efforts to develop and expand the niche noodle market that is currently of a small scale. We also launched three innovative products to quickly expand market share, including the “Fresh Banquet”, which is steamed noodles that appeal for the healthy demands, “Tang Da Shi” featuring Chinese cuisine thick soup without adding MSG, and “Zhen Liao Duo” tall cup noodle with “Precious” food materials. Especially after “Fresh Banquet” was launched into the market, its sales in the business districts, in terms of SKU, was also remarkable in S.P.P.D., which is expected to continuously expand the share of Master Kong in the new products market, and further consolidate Master Kong’s position in the mainstream products market.

Mid-end Noodle/Snack Noodle

According to AC Nielsen,the market share of the Group's mid-end noodle products in terms of sales amount for the second quarter of the year was 41.4%,which steadily maintained the leading position in the market. Looking forward to the second half of the year, in order to meet the demand for instant noodles by the mass consumers as worthwhile and affordable, in addition to transferring the change of bulk raw material prices in an appropriate extent back to consumers, the product were upgraded so as to continue steering for innovation. For example, an upgrade product, "Cui Xuan Feng+String Bean" was launched from the Snack Noodle, which give consumers more abundant and plenty choices of products.

INSTANT FOOD BUSINESS

Faced with the slowdown in the growth of economy in China, and the impact on the continuing sluggishness in the traditional biscuit market, the manufacturers in the industry still faced with relatively significant challenges. According to Nielson, in terms of sales amount, Master Kong Egg Rolls accounted for 19.5% of the market share in the second quarter of 2015, ranking first in the market, whilst the sandwich crackers accounted for 13.1% of the market share, ranking second in the market. In the first half of 2015, the sales of the group's instant food business was US$66.886 million, dropped by 25.41% when compared to same period last year, representing 1.37% of the Group's total turnover. During the period, although we have severely controlled the selling and administrative expenses, the instant food business still recorded a loss of US$10.955 million as a result of the reduction in the sales volume of the core cake business and the recognition of the loss from the new instant food business. But the overall loss has been reduced in the second quarter as compared to the same period of last year. In view of the above business environment, the Group will focus in the following strategies:

1. To focus on popular products, such as sandwich crackers and muffins as well as egg rolls. By capitalizing on upgrade and innovation such as high end presentation and packaging and diversification, the market share and consolidated profit were further enhanced.

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

Apart from improving the soda sandwich products, by adhering to the trend of development, Master Kong engaged into in-depth cooperation with mainstream electric appliance vendors business for its 3+2 sandwich crackers. The theme even of "3 2 1 Let's party!" was held. Weixin was used for word-of-mouth promotion and advertising of portals of the electric appliance vendors, which increased the recognition of the brand and attracted buyers. At the same time, new specifications for products were developed for electric appliance vendors and for the 3 + 2 sharing package and display box selling at convenience stores. The needs of consumers on small volume with more varieties and more frequencies were fulfilled. Master Kong's muffin matching with "Master Kong's Mini Snacks Paradise" was launched in June with 8-pieces set. Each piece is packed on its own that is easy to carry, which increased the opportunities for the consumers to purchase and display for sales buy and display sales. During the second half of the year, new cake products will be launched proactively in order to satisfy the broadening demand of the consumers. Besides, Master Kong's egg rolls will launch high-end gift boxes and new products to meet the demand from the consumer for gifts and high-end spending. Emphasis were placed on learning to build a successful and sustainable business model for the development of the Group. Through the integration of optimized supply chain with a sophisticated product portfolio, the goal of enhancing efficiency will be achieved.

BEVERAGE BUSINESS

According to Nielsen, the growth in the sales volume of the beverage industry in China for the second quarter of 2015 was relatively slow, which fell by 2.8% year-on-year, a significant downturn as compared with the increase of 3.4% year-on-year for the second quarter of 2014. The Group actively fined tune the pace of sales in a sound manner with priority in profitability in its management policies. In the first half of 2015, the turnover of the beverage business of the Group was US$2,962.109 million, dropped by 11.11% year-on-year, representing 60.82% of the Group's total turnover. The sales decline mainly due to the higher sales basis from RTD tea and bottled water from the same period last year and the current conservative consumption. The sales amount for the second quarter were US$1,701.856 million, an increase of 35.04% from the first quarter. During the period, benefitted from the decline in the prices of major raw material such as PET resin, together with rationalization in production processes, the gross profit margin increased by 1.29 ppt. year-on-year to 34.74%. The gross profit margin for the second quarter increased by 1.74 ppt. year-on-year to 36.38%, an increase of 3.86 ppt. quarter-on-quarter. Confronted with such a severe market environment, we improved our control over distribution costs on one hand, while implementing structural consolidation during the period for more efficient operations in future resulting in an impact on profit growth. As a result one-off consolidation expenses were incurred, which affected the profit growth. The amount of profit from the beverage business attributable to owners of the Company for the first half of 2015 was US$62.163 million, a decrease of 33.22% year-on year. But the decline rate year-on-year in the second quarter has been improved as compared to that of the first quarter.

Taking into account the structural change in the consumption demand, the beverage business will consolidate its product category so as to become more comprehensive, expand the scale of operation with operation principles, and meet the expectations of consumers and shareholders through the following strategies:

1. To focus on the operation of popular products such as RTD tea, bottled water, carbonated drinks so as to continue capitalizing on the advantages from the expansion of market share
2. To share customers, refrigerators, supply chain through the cooperation of beverage business of Master Kong with the beverage business of Pepsi, which will rapidly enhance the servicing capabilities to the customers at the terminals
3. To proactively introduce international alliance partners for innovation of beverage category and operation of resources from brands and channels. For example, the cooperation with Shanghai Disney and NBA effectively formulated a young brand image
4. To reasonably reconcile the channel inventories through a sound sales model, which responded rapidly to the changes in consumer demand, achieved the objectives of optimizing the product age at the terminals.

RTD Tea

In the second quarter of 2015, the sales volume of the Group's RTD tea (including milk tea) accounted for 56.4% of market share, an increase of 2.2 ppt. year-on-year, ranked first in the market. The "Iced Tea" series consolidated its position in the market by extending tastes and specifications. In addition to promoting the cool fresh mint flavor already well acclaimed in the northern region, the well-received Green Apple flavor was also launched across the country. As to specifications, more varieties were added from the original PET packaging to Tetra Pak and canned packaging so as to meet the consumer demand for various drinking occasions. In addition, as the taste of ice tea well suited to use with meals, the channel development department also accelerated its cooperation with the food and beverage channels of high growth. In addition, through engaging the Korean-day mission EXO, the superior band from Korea as the spokesman in brand communication, and held theme activities "Ice Force Ten Happy Enough," and other brand theme activities, the recognition by the young people was strengthened. The "Green Tea series" use "Green" and "Health" elements to strengthen the "close to nature" them advocated by the brand. A large number of consumer groups advocating LOHAS were attracted through the activity of "Green and Healthy Walk". The "Jasmine Tea Series" continued to further develop from television and movie marketing. By relying on the romantic movie "When Harry Meet Sally", the Group entered into cooperation with LeTV, which embedded the "romantic" essence of the brand into the popular culture of the youngsters, earning good credits from the consumers. "Lipton English tea" created a branded new British style. Through a stylish design on the bottle, the classic style for the youngsters were reflected with the heritage of New England style in an innovative manner. This had become popular among the white-collar consumers.

As to the consumer groups that prefer sugar-free tea, the Group strived to offer the consumers with the experiences of "a taste of life with health meal" enjoying the feeling of good tea and good life, and upgraded the products of "The Original Tea Shop". The sales volume in the first half of 2015 has increased by 85.2% year-on-year. In future the Group will promote and satisfy the needs for high-end RTD tea through convenience stores and electric appliance vendor platform.

Bottled Water

The sales volume of the Group's bottled water for the second quarter accounted for 17.7% of the market share, ranking second in the market. Through the full implementation of food safety certification for the supply chain system, including ISO 22000, NSF certification and IBWA membership, the positive image of "Quality Water" with superior quality and endorsement by international standards were recognized by the consumers. The quality management and safety conditions of the "Quality Water" were reinforced. Combined with the welfare activities the brand became a quality image in the mind of the consumers. As to the branding, we also teamed up Tencent to create the NBA Entertaining Design and Weixin platform of Master Kong, which effectively reached the consumers and improved the products recognition. As to channel development, we continued to develop the special channels, so as to mitigate the impact on the weather to the results. Utilization rate at the production lines were enhanced. Efforts were also devoted to explore the sub-urban regions with high growth rate to improve the penetration of bottled water.

As to the natural mineral water, the appeals from natural sources with genuine healthy image has been firmly established. The Group also continued to promote the "A Family Must Have for A Healthy Day Everyday" activities for the purchase of full box. Channels such as electric appliances vendors and supermarkets were proactively explored so that good results can be achieved from first tier cities with rising health awareness.

Carbonated Drinks

According to Canadean,"Pepsi-Cola" steadily ranked as the leading brand in the cola type carbonated drinks market for ten years. In the second quarter of 2015, its sales volume accounted for 47.7% of market share."Mirinda" accounted for 34.6% of market share in the fruity taste carbonated drinks, and also ranked as the number one brand. Through the activities such as "You Strike Back the Pepsi Challenge", and "Mixing FUN in Happy Ways" of Mirinda, interaction and experience were enhanced. Other than the participation by the consumers, there were also good responses as reflected in the growth of sales.

Juice Drinks

The sales volume of the fruit juice brand under Master Kong and the Tropicana brand under Pepsi during the second quarter accounted 20.4% of the market share in total, ranking second in the market. The "Light Fruit Mix" series delivered the brand message of "Light for Every Moment". With new packaging and the new bottle, the modern concept of health was conveyed, which broadened interaction of the brand with the consumers, and accumulated the brand equity of light and healthy life. With the launch of Haijing lemon into the market, new positions were explored for the brand. Other than focusing on the communications when drinking indoor, the communications at outdoor channels such as swimming pools, department stores, convenience stores were reinforced for promotion. Meanwhile, communications with target consumer group such as tasting/sample combing games were applied interactively, making it one of the favorite brands for the youth at the current moment.

Through the TV commercial led by actor couple Tong Dawei, delivering the theme of "Moist and Light Every Moment" for the traditional Crystal Sugar Series, emphasis were placed on communication with the effectiveness of the products. Master Kong juice and the Chopsticks Brothers entered into cooperation and launched the blockbuster new song "Small Fruit", which described about the core values of the brand "Fruit that taste good in drinking ". A new paradigm in entertainment marketing was created, which drove the brand awareness by capitalizing on the celebrities effect. Through packaging upgrade for the full range products of Tropicana, the brand image was vitalized. Together with the launch of the new flavor of "lemon" with fruit grain, consumers were attracted to the healthy concept, and the market position was further consolidated.

Vitamin Drinks

For the past few years, the functional beverage category had maintained an average annual growth rate of 30%, with the performance of vitamin drinks most outstanding. By leveraging on the resources of international partners, the Group launched the "Vitamin Power" with three flavours during the second quarter fully covering all channels, which were well received by the consumers. The brand also engaged Lee Minho, a Korean hit star as the spokesman, which facilitated the awareness of the brand to escalate. Master Kong Beverages also introduced another healthy new vitamin beverage "Natural Vitality" with natural lutein in two flavours, peach and lemon. This product was also well received by the consumers soon after it was launched into the market. It is expected that the potential of growth in this product is promising.

Milk Drinks/Pro-biotic Drinks/Coffee

Under the milk drink, pro-biotic drinks and coffee category of the Group, in addition to the classical milk tea with walnut taste that was the focus of promotion, we also communicated with students groups. Apart from capturing the campus channels, milk drink was also used to balance the consumption curve in autumn and winter in future so that the capacity of the Group can be allocated evenly between the peak and low season. Besides, the Group also observed the rapid growth of lactic acid bacteria beverage market, thus the introduction of lactic acid at room temperature, so as to meet consumer demand for a healthy diet. As to coffee, the compound growth rate of RTD coffee in China reached 30% for the past five years. By leveraging on the cooperation of the Group with Starbucks, the international leading coffee brand, own strong production and sales advantages were utilized so as to further extend the coverage steadily in order to expand its share in the RTD coffee market. It is expected in 2016, bottled drinks will be launched in China. Since then, more innovative drink RTD coffee products will be launched at different phases to meet the rapidly rising demand for coffee by the consumers.

FINANCING

The Group continued to maintain a stable and healthy financial structure through effective control of trade receivables, trade payables, cash and bank balances and inventories during the first half of 2015. As at 30 June 2015, the Group's cash and bank deposits totaled US$1,315.889 million, an increase of US$132.786 million from 31 December 2014. A sufficient amount of cash holding was still maintained. As at 30 June 2015, the Group's total assets and total liabilities amounted to approximately US$9,433.741 million and US$5,303.098 million respectively. This showed increases in US$227.684 million and US$192.705 million respectively compared to 31 December 2014. The debt ratio increased by 0.7 ppt. to 56.21% compared to 31 December 2014.

As at 30 June 2015, the Group's total interest bearing borrowings decreased by US$101.051 million to US$2,527.703 million. The borrowings were mainly used for acquisition of properties for the Group's Shanghai operation center and production facilities and general working capital. During the period, the Group's proportion of the total borrowings denominated in foreign currencies and Renminbi were 93% and 7% respectively, as compared to 82% and 18% respectively as at 31 December 2014. The proportion between the Group's long-term borrowings and short borrowings was 49% and 51% respectively, as compared to 47% and 53% respectively as at 31 December 2014.

On 6 August 2015, the Company issued notes with an aggregate principal amount of RMB 1 billion ("Note"). The issue price of the Note was 99.656% of the principal amount of the Note. The Note shall bear interest of 4.375% per annum from 6 August 2015, which will be paid once a year on 6 August. The Note shall expire on 6 August 2018. The Note is an unsecured debt of the Company. The primary objectives for the Group to issue Reminbi debentures overseas was to swap certain bank loans with the proportion of liabilities being unchanged. The Group would also capitalize on the good credit rating to enhance the weighting of direct financing so as to secure a stable source of financing.

During the period, the depreciation in Renminbi against US dollar by 0.13%, together with the fluctuation of exchange rate in Euro against USD, brought a loss of US$29.122 million for the first six month of 2015 on the Group, thereof, US$23.515 million has been included in the income statement and the else US$5.607 million has been included in other comprehensive loss.

In 2014, the Group announced a voluntary retirement plan (the "Plan") for its employees as a result of an integration programme of its Pepsi beverage business. The Group has made an offer of the Plan to the affected employees who can decide to accept the offer of benefits in exchange for the termination of their employments. The termination benefits of US$30 million have been recognised as expenses during the six-month period ended 30 June 2015. At 30 June 2015, the estimated possible obligation of termination benefits is amounted to approximately US$44 million (31 December 2014: US$70 million) which is expected to be settled between 2015 and 2016 if all the offers are accepted by qualified employees and disclosed as contingent liabilities.

The joint ventures and associates in the Pepsi beverage business of the Group (the "Joint Ventures and Associates") have, based on their own operation requirements, also implemented a compensation plan (the "Compensation Plan") which is similar to the Plan. During the six-month period ended 30 June 2015, the Group has committed for the payment of US$11 million arising from the Compensation Plan and such payment has been recognized as expenses by the Group. At 30 June 2015, the possible amount of liabilities which arising from the Compensation Plan but not yet committed by the Group is amounted to approximately US$30 million.

Financial Ratio

	As at 30 June 2015	**As at 31 December 2014**
Finished goods turnover	11.83 Days	11.73 Days
Trade receivables turnover	9.92 Days	8.89 Day
Current ratio	0.67 Times	0.64 Times
Debt ratio (Total liabilities to total assets)	56.21%	55.51%
Gearing ratio (Net debt to equity attributable to owners of the Company)	0.40 Times	0.48 Times

HUMAN RESOURCES

As at 30 June 2015, the Group had 73,556 employees (76,390 employees at 31 March 2015).The Group always considers the fostering and development of talents as one of its major tasks, and cooperates with several domestic and overseas renowned academic institutions in cultivating senior management talent with international views.

The training mechanism for the cadres at the mid to high level were further revamped, which finalized the building of successors team, and implemented recruitment, selection, training, development of talents. This would create potential talent for the mid-level management and establish a mid-level management team that is forward looking with visions of scientific development. The relationship between college and enterprises were created, which bolstered the brand as an employer to attract the talents from colleges and lay a foundation for the development of the enterprise in future.

The human resource management model was optimized, which would give full play to the roles of human resources experts and business partner were fully capitalized to rationalize the operation processes, enhance efficiency and effectiveness of human resource management, thereby achieving an equilibrium between talent and systems.

CORPORATE SOCIAL RESPONSIBILITY

In January 2015, the Chinese New Year theme activity of "Family Spring Festival Flavour with You" was kicked off in Shanghai. The movie "Family Spring Festival Flavour with You", a movie celebrating Chinese New Year, which was produced by Master Kong and directed by a rising new director in China and starred by Lian Mei, a popular star, held its premier ceremony. The movie focused on the traditional culture to celebrate Chinese New year to draw the attention of the young people about the memory and attention to the traditional New Year customs. As early as the end of 2014, Master Kong promoted the activities to care the leftbehind children jointly with China Children and Teenagers Fund and Sohu, covering numerous provinces, cities and autonomous regions in China, bringing warmth for 60 million leftbehind children in China. During the premier ceremony, other than achieving a number of New Year wishes, sending the leftbhind children to meet their parents during the Chinese New Year under the activity "2015 leftbehind children" Master Kong beverage business also called 30,000 employees of Tingyi to send handwriting festive greeting cards with warm messages to the leftbehind children, making the Chinese New Year full of union feeling and heart moving!

In April 2015, Master Priority Club and China Women's Development Foundation entered into a strategic cooperation relationship "Mother Water Cellar", which commenced the charity event "Drops of quality water to please people's hearts". This event appealed to consumers and businesses by contributing bit by bit to welfare. Through collecting a number of small amounts contribution, this would form a large contribution that can use to purchase water, the source of life, to support the people living at dry land. The project will employ a multi-platform to raise 1.4 billion drops of water from consumers in an interactive way online and offline. Running games were held in dozens of cities across the country with the theme of health as a carrier online and offline. Carrier. As to on-line, through various platform such as QQ mobile water drop, plump APP, drops taxi, related activities were carried out. The participants at large can redeem mileage from running. The online platform for consumers operated in an interactive way to donate the droplets representing love. These droplets will be fully converted to donations and donated to "Mother Water Cellar" charity project. It is expected that the first batch of donations will reach RMB 6 million.

In order to compensate the short sight of the public on the science of food safety knowledge, in May this year, "Master Kong Food Safety and Science Innovation Contest - Full Visual Contest" commenced in the colleges across the country as the first food safety science activity in China with "vision" having the theme of an era of "Eating" in a safe way. The event was one of the important activities held under the national "2015 National Food Safety Awareness Week" jointly organized by the Food Safety Office of the State Council, China Economic Net, China Food Science and Technology Association, China Food Safety 30 People Forum and solely sponsored by Master Kong. The competition used "Eating" in a safe way as the theme, which utilized "visual" innovation and creativity as the core of its unique way of communication. Food safety publicity work were collected to guide and encourage college students and the general public in participating a wide range of food safety and general science promotion activities. On 23 June, a talk tour was held at the colleges participating the contests, which held its launching ceremony at Beijing Industrial and Commerce University. The talk tour then covered then colleges participating the contests in Tianjin, Guangzhou, and Shanghai with exhibitions held at 30 colleges. Since the requests were published, hundreds of pieces of demonstration and entries were collected. Experts from China Food Safety 30 People Forum also met the students groups at the colleges and analysed food safety issues from the entry works of the competition. Food safety and general science were brought to the community, primary and second schools, enhancing the awareness of youth groups and public regarding food safety.

On 11 July, being affected by the peripheral area of the typhoon "Chan-hom", the streets at Xia Guan Zhen District, Shangyu Region, Shaoxing City, Zhejiang Province were flooded by rain water, as deep as nearly two meters. The whole town was submerged. "Love and Care stations" of Master Kong departed immediately to Shangyu and supported Red Cross in the logistical work for disaster relief and to provide Master Kong instant noodles to the victims at temporary shelters which were set up at Xia Guan Village Transporation Bureau, together with love and best wishes from the Masterkongers.

As for the explosion incident in Tianjin Port on 12 August, the Group operating in the Binhai District empathized with the victims. We actively cooperate with the government in rescue and relief works and sent out supplies to victims immediately, including drinking water, biscuits and instant noodles. We will continue to guarantee the supply of relief supplies. In the face of tragedy, the Group prays for the victims and the Binhai District and we are willing to do our utmost to reduce the accident losses to the minimum.

AWARDS AND HONORS

1、 Master Kong remained as the popular domestic FMCG brand loved by consumers. Kantar Worldpanel recently released the FMCG brands ranking report that were most chosen by consumers in China for 2015. During the past year, 90.2% of urban households in China purchased Master Kong brand 8.8 times, making Tingyi continued to rank top of the list. Master Kong has been ranking top on the Chinese brand tracking report for the third consecutive year.

2、 Master Kong (instant noodles, tea beverages) won number one brand in the C-BPI industry for five consecutive years. In 2015, the C-BPI index research project surveyed a total of 74 sub-sectors of FMCG. In the food industry there were 17 sub-sectors, with 8 brands winning for five consecutive years, namely, De Fu, Xi Zhi Lang, Le Shi, Ao Li Ao, Master Kong (instant noodle), Jin Long Yu, Tai Tai Le, Hai Tian (soy sauce). In the beverage industry there were 14 sub-sectors, with 5 brans winning for five consecutive years, namely, Huiyuan, Minute Maid, Master Kong (tea), Nestle, Mengniu Dairy (yogurt).

3、 Master Kong won the most popular Top Ten Food Safety Enterprise "Food Security Cup" 2014. The voting activity was jointly organized by the China Food Safety Network and Food Safety Mall. A total of more than 2,500 applications were received. There were a total of 94,998 people voted through the Internet. A total of 10 food enterprises received the awards.

PROSPECTS

Looking ahead into the second half of 2015, the structural change in the economy of China will continue. The fast moving consumer goods industry will still face a lot of challenges. As the leading enterprise in the industry, the Group will continue to optimize organization management and combine advantageous resources to enhance the competitiveness of resources. We will continue to promote various innovation initiatives, and strive to provide consumers with diversified, safe and delicious food

With respect to innovation, in view of the rapid change in the consumption trends, the Group will continue to upgrade the major products and lead a healthy development in the industry in the second half of 2015. In addition, based on the efforts in the niche noodle market as well as healthy and new products from high-end beverage business, such as Benwei Tea, lactic acid bacteria at room temperature, vitamin drinks “Shuiyang” and “Weidongli”, apart from enhancing the flavour of products and revamping the packaging, the Group will also focus in the innovation of process, management and technologies. The research and development team will reinforce the innovation and research functions so as to consolidate the concept on the development of new products. In terms of the business systems, innovation in operational management about the hand-held terminals will be promoted, so that more than 30,000 agents using the handheld business management system can receive the information from more than 100,000 sales terminals each day on real time basis. Efficiency of the agents will be effectively bolstered. Through the transparency of inventories at the channels and information of competing products, the Group can quickly obtain the information about the change in the demands of consumers and the business opportunities arising from the geographic regions.

As to food safety, the Group has always adopted a “zero tolerance” attitude towards the implementation of quality and food safety control. Other than imposing strict requirements to the plant in implementing ISO food safety certification, RMB 500 million were also spent to set up ‘Centre for Innovation, R & D Center and Food Safety’. A food safety and quality control team with 3,000 members was established performing real-time monitoring of 1,500 inspection indicators over the national supply system. We hold ourselves responsible to consumers and shareholders with standards exceeding those of the international industry standards. Master Kong and all its employees will continue to pay attention to food safety, and practically perform corporate social responsibility.

CORPORATE GOVERNANCE

We have, throughout the period ended 30 June 2015, complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviation from code A.4.1. The reason for the deviation is explained below.

Code provision A.2.1

Code provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same person. On 1 January 2015, the Group has appointed Mr. James Chun-Hsien Wei as the Chief Executive Officer of the Group. Mr. James Wei was the former Chief Executive Officer of the Food Business Division of the Group. With the appointment of Mr. James Wei as the Chief Executive Officer, the Company has fully complied with code provision A.2.1.

Code provision A.4.1

Code provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. Our Company deviates from this provision because the non-executive Directors and independent non-executive Directors of our Company do not currently have specific terms of appointment. However, the articles of association of our Company provide that all the Directors are subject to retirement by rotation at least once every three years and at each annual general meeting, one-third of the Directors for the time being or, if the number is not a multiple of three, then, the number nearest to but not less than one-third, shall retire from office by rotation and offer themselves for re-election. As such, the Board considers that sufficient measures have been put in place to ensure our Company's corporate governance practice in this aspect provides sufficient protection for the interests of shareholders to a standard commensurate with that of the code.

We will periodically review and improve our corporate governance practices with reference to the latest corporate governance developments.

Directors' responsibility for the financial statements

The Directors acknowledge their responsibility for preparing the financial statements of the Group. With the assistance of the Finance and Accounting Department which is under the supervision of the Chief Financial Officer of the Company, the Directors ensure that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards. The Directors also ensure that the publication of the financial statements of the Group is in a timely manner.

Audit Committee

The Audit Committee currently has three Independent Non-executive Directors, Mr. Lee Tiong-Hock, Mr. Hsu Shin-Chun and Mr. Hiromu Fukada. Mr. Lee Tiong-Hock is the chairman of the Committee. The latest meeting of the Committee was held to review the results of the Group for this period.

Remuneration and Nomination Committee

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

Internal Control

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

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the required standard as set out in the Model Code throughout the review period.

PURCHASE, SALE OR REDEMPTION OF SHARES

Other than the Company's repurchased its own shares of 220,000 shares during the period for approximately US$0.433 million, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the period. All shares repurchased have been cancelled and will not be reissued or resold.

After the reporting period, the Company repurchased 228,000 of its own shares and the amount was approximately US$0.423 million.

SHARE OPTION SCHEME

At the extraordinary general meeting held on 20 March 2008, the shareholders approved the adoption of the Share Option Scheme. Detail arrangement for the share option scheme shown as below: (Table A)

Date of grant	Number of share options granted	Exercisable period	Exercise price (HK$)	Number of share granted to Wei Ing-Chou	Number of share granted to James Chun-Hsien Wei
20 March 2008	11,760,000	21 March 2013 to 20 March 2018	$9.28	2,000,000	
22 April 2009	26,688,000	23 April 2014 to 22 April 2019	$9.38	2,816,000	
1 April 2010	15,044,000	1 April 2015 to 31 March 2020	$18.57	2,200,000	
12 April 2011	17,702,000	12 April 2016 to 11 April 2021	$19.96	2,264,000	
26 April 2012	9,700,000	26 April 2017 to 25 April 2022	$20.54	1,368,000	
27 May 2013	11,492,000	27 May 2018 to 26 May 2023	$20.16	1,390,000	904,000
17 April 2014	12,718,500	17 April 2019 to 16 April 2024	$22.38	1,486,000	1,148,000
5 June 2015	17,054,000	5 June 2020 to 4 June 2025	$16.22	1,726,000	2,006,000

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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE OFFICER IN SHARES

As at 30 June 2015, the interests and short positions of the Directors and Chief Executive Officer in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

(a) Long position in Shares and underlying Shares

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

(b) Long position in shares of associated corporation

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

Note:

1. These 1,854,827,866 shares are held by and registered under the name of Ting Hsin. Ting Hsin is beneficially owned as to approximately 44.761% by Ho Te Investments Limited ("Ho Te"), as to approximately 30.239% by Rich Cheer Holdings Limited ("Rich Cheer"), as to 17.835% by Itochu Gorp., and 6.482% by China Foods Investment Corp., a subsidiary of Asahi Group Holdings, Ltd., and as to the remaining 0.683% by unrelated third parties. Ho Te and Rich Cheer were owned as to 100% by Profit Surplus Holdings Limited ("Profit Surplus"). Profit Surplus is the trustee of a unit trust, which is in turn held by four discretionary trusts in equal proportions. HSBC International Trustee Limited is the trustee of each of the above four discretionary trusts, the settlors and discretionary objects of the above four discretionary trusts are as follows:

   — Wei Chang Lu-Yun is the settlor of one of the above discretionary trusts with Wei Chang Lu-Yun's family members (including Wei Hong-Ming) as discretionary objects;

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

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

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

2. Wei Ing-Chou is also personally interested in 13,242,000 shares and holds 15,250,000 share options (details shown as table A on page 29) Wei Chang Lu-Yun, being the spouse of Wei Ing-Chou, is also deemed to be interested in the shares and the underlying shares held by Wei Ing-Chou.

   James Chun-Hsien Wei holds 4,058,000 share options (details shown as table A on page 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 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 June 2015 there were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in or any other body corporate.

Save as disclosed in this paragraph, as at 30 June 2015, none of the Directors and Chief Executive Officer had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

Substantial Shareholders and Other Persons' Interests in Shares

So far as was known to any Director or Chief Executive Officer of the Company, as at 30 June 2015, the interests or short positions of substantial shareholders and other persons of the Company, in the shares and underlying shares of the Company as recorded in the register required to the kept under section 336 of the SFO, or as otherwise notified to the Company, were as follows:

Long position in the Shares and the underlying Shares

Name of shareholder	Capacity	Number of shares held	% of the issued share capital
Ting Hsin (see note 1)^	Beneficial owner	1,854,827,866	33.10
Ho Te Investments Limited (see note 1)^	Interest of controlled company	1,854,827,866	33.10
Rich Cheer Holdings Limited (see note 1)^	Interest of controlled company	1,854,827,866	33.10
Profit Surplus Holdings Limited (see note 1)^	Trustee of a unit trust	1,854,827,866	33.10
HSBC International Trustee Limited (see note 1)^	Trustee of discretionary trusts	1,854,827,866	33.10
Wei Chang Lu-Yun (see notes 1 & 2)^	Settlor of a discretionary trust	1,883,319,866	33.61
Lin Li-Mien (see note 1)^	Settlor of a discretionary trust	1,854,827,866	33.10
Wei Hsu Hsiu-Mien (see note 1)^	Settlor of a discretionary trust	1,854,827,866	33.10
Wei Tu Miao (see note 1)^	Settlor of a discretionary trust	1,854,827,866	33.10
Sanyo Foods Co., Ltd.	Beneficial owner	1,854,827,866	33.10

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

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 June 2015.

BOARD OF DIRECTORS

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

By Order of the Board
Wei Ing-Chou
Chairman

Shanghai, the PRC, 24 August 2015

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

* *For identification purpose only*