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康師傅控股有限公司*

TINGYI (CAYMAN ISLANDS) HOLDING CORP.

(Incorporated in the Cayman Islands with limited liability)

(Hong Kong Stock Code: 0322)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

US$'000	2015	2014		Change
• Revenue	**9,102,810**	10,237,982	↓	11.09%
• Gross margin (%)	**31.86%**	30.46%	↑	1.40ppt
• Gross profit	**2,900,195**	3,118,038	↓	6.99%
• EBITDA	**1,038,576**	1,149,346	↓	9.64%
• Profit for the year	**281,484**	484,749	↓	41.93%
• Profit attributable to owners of the Company	**256,340**	400,482	↓	35.99%
• Earnings per share (US cents)				
Basic	**4.57**	7.15	↓	2.58
Diluted	**4.57**	7.13	↓	2.56

At 31 December 2015, cash and cash equivalents was US$1,023.700 million, with a decrease of US$159.403 million when compared to 31 December 2014. Gearing ratio was 0.49 times.

CHAIRMAN STATEMENT

Over the past 25 years, along with the open and growth of the PRC market, the Group's scale of operation has been grown rapidly. In order to face the dramatic change in the future market environment, we have also been established an operational management model of professional team. I request all the fellows to face this turn point of operation and management handover with open-minded, and they should enhance their skills and innovative ability with rapidly respond to change, so as to promote our transformation and improving, be well-prepared for succession, as well as promote the future stream of growth. The Board and I, as the backup force of the Group, will also continue to fully support our operation team to face challenges from new generation, as well as achieve growth momentum and good result again.

The Group shall not only continues its attitude of good faith, pragmatism, and innovative and provides the mass consumer better food, but also pay more attention to corporate social responsibility, especially the implementation of food safety management, the leading of industrial upgrade, and energy conservation and emission reduction. I expect that consumers, employees, and shareholders can continue supporting Master Kong and working together toward a broader and longer future.

In 2015 the Group' s revenue was US$9.103 billion. Profit attributable to owners of the Company was US$256 million and earnings per share was US4.57 cents. The board will recommend the payment of a final dividend of US2.29 cents per share. Total amount of final dividend for the year 2015 will be US$128 million.

In the challenging 2015, our staff members strictly adhered to their duties and dedication to work. Such all-round dedication makes me confident that, working together, we will achieve our vision. I would express my appreciation to our fellow directors and all staff members for their upholding of belief of perseverance, and grow with the Group together.

Wei Ing-Chou
Chairman

Shanghai, the PRC
22 March 2016

RESULTS

The Board of Directors of Tingyi (Cayman Islands) Holding Corp. (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015 together with the comparative figures for the corresponding period in 2014 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Note	**2015** *US$'000*	2014 *US$'000*
Revenue	4	**9,102,810**	10,237,982
Cost of sales		**(6,202,615)**	(7,119,944)
Gross profit		**2,900,195**	3,118,038
Other revenue and other net income	6	**162,144**	209,401
Distribution costs		**(1,883,844)**	(2,138,598)
Administrative expenses		**(344,324)**	(299,549)
Other operating expenses		**(312,117)**	(155,841)
Finance costs	7	**(61,838)**	(47,151)
Share of results of associates and joint ventures		**11,282**	7,269
Profit before taxation	7	**471,498**	693,569
Taxation	8	**(190,014)**	(208,820)
Profit for the year		**281,484**	484,749
Profit attributable to:			
Owners of the Company		**256,340**	400,482
Non-controlling interests		**25,144**	84,267
Profit for the year		**281,484**	484,749
Earnings per share	10		
Basic		**US4.57 cents**	US7.15 cents
Diluted		**US4.57 cents**	US7.13 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015	2014
	US$'000	*US$'000*
Profit for the year	**281,484**	484,749
Other comprehensive (loss) income:		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit obligations	**(13,229)**	2,349
Surplus on revaluation of properties and prepaid lease payments	**2,026**	–
Deferred tax arising from revaluation of properties and prepaid lease payments	**(506)**	–
	(11,709)	2,349
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences on consolidation	**(236,019)**	(101,998)
Fair value changes in available-for-sale financial assets	**5,560**	11,040
Reclassification adjustments relating to available-for-sale financial assets disposed of during the year	**(5,736)**	–
	(236,195)	(90,958)
Other comprehensive loss for the year, net of tax	**(247,904)**	(88,609)
Total comprehensive income for the year	**33,580**	396,140
Total comprehensive income (loss) attributable to:		
Owners of the Company	**68,126**	336,629
Non-controlling interests	**(34,546)**	59,511
	33,580	396,140

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	2015 *US$'000*	2014 US$'000
ASSETS			
Non-current assets			
Investment properties		**154,498**	–
Property, plant and equipment		**5,396,574**	5,859,905
Prepaid lease payments		**607,822**	737,387
Intangible asset		**26,551**	27,305
Interest in associates		**30,065**	31,973
Interest in joint ventures		**82,741**	74,153
Available-for-sale financial assets		**92,120**	79,052
Other non-current assets		**15,400**	–
Deferred tax assets		**49,002**	53,009
		6,454,773	6,862,784
Current assets			
Financial assets at fair value through profit or loss		**–**	2,352
Inventories		**325,793**	386,958
Trade receivables	11	**233,403**	238,239
Tax recoverable		**14,780**	–
Prepayments and other receivables		**429,057**	532,621
Pledged bank deposits		**12,048**	12,203
Bank balances and cash		**1,011,652**	1,170,900
		2,026,733	2,343,273
Total assets		**8,481,506**	9,206,057

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**2015** *US$'000*	2014 US$'000
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital		**28,014**	28,019
Share premium		**63,900**	65,421
Reserves		**2,817,145**	2,940,117
Total capital and reserves attributable to owners of the Company		**2,909,059**	3,033,557
Non-controlling interests		**985,202**	1,062,107
Total equity		**3,894,261**	4,095,664
Non-current liabilities			
Financial liabilities at fair value through profit or loss		**9,080**	–
Long-term interest-bearing borrowings		**1,326,367**	1,246,720
Employee benefit obligations		**42,901**	28,702
Deferred tax liabilities		**221,807**	198,487
		1,600,155	1,473,909
Current liabilities			
Trade payables	12	**722,288**	896,131
Other payables and deposits received		**1,008,234**	1,233,472
Current portion of interest-bearing borrowings		**1,123,198**	1,382,034
Advance payments from customers		**123,179**	100,522
Taxation		**10,191**	24,325
		2,987,090	3,636,484
Total liabilities		**4,587,245**	5,110,393
Total equity and liabilities		**8,481,506**	9,206,057
Net current liabilities		**(960,357)**	(1,293,211)
Total assets less current liabilities		**5,494,416**	5,569,573

Notes to the Consolidated Financial Statements:

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2014 consolidated financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year as detailed in note 3.

2. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests ("NCI") are presented, separately from owners of the Company, in the consolidated income statement and the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position.

3. ADOPTION OF NEW/REVISED HKFRSs

The HKICPA has issued a number of new/revised HKFRSs that are first effective for the current accounting period of the Group. Of these, the changes in accounting policy relevant to the consolidated financial statements are as follows:

Amendments to HKAS 19 (2011): Defined Benefit Plans – Employee Contributions

The narrow-scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. These amendments do not have an impact on these consolidated financial statements as the defined benefit plans operated by the Group are wholly funded by contributions from the Group and do not involve contributions from employees or third parties.

Annual Improvements Project: 2010-2012 Cycle

(1) HKFRS 2 Share-based Payment

The amendments add definitions for "performance condition" and "service condition" which were previously part of the definition of "vesting condition" and update the definitions of "vesting condition" and "market condition". It specifies in the definition of performance condition that a vesting condition requires specified performance target(s) to be met. A performance target can be defined not only by reference to the operations (or activities) of the entity or the price (or value) of its equity instruments, but also the operations (activities) of another entity in the same group or the price (or value) of the equity instruments of that entity. Further, the performance target can also be related to the performance of the entity as a whole or a part of it or the group, including a division or an individual employee. The period for achieving the performance target shall not extend beyond the end of the service period but may start before (provided not substantially before the commencement of) the service period. The application of the amendments does not have an impact on the Group.

(2) HKFRS 8 Operating Segments

(a) Judgements made by management in aggregating two or more operating segments exhibiting similar long-term financial performance and economic characteristics are required to be disclosed. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

(b) It is clarified that the reconciliation of the total reportable segments' assets to the entity's assets is only required to be disclosed if the segment assets are regularly reported to the chief operating decision maker.

The application of the amendments has no impact on the Company's consolidated financial statements.

(3) HKFRS 13 Fair Value Measurement

The basis for conclusions is amended to clarify that the issuance of HKFRS 13 and the consequential amendments to HKFRS 9 and HKAS 39 did not remove the entity's ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, when the effect of not discounting is immaterial. The application of the amendments does not have an impact on the amount recognised.

(4) HKAS 24 Related Party Disclosures

HKAS 24 is amended to clarify that an entity, or any member of a group of which it is a part, providing key management personnel services (the "management entity") to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The reporting entity shall disclose the amounts incurred for key management personnel services that are provided by the management entity. However, the compensation paid or payable by the management entity to its employees or directors is not required to be disclosed. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

Annual Improvements Project – 2011-2013 Cycle

(1) HKFRS 13 Fair Value Measurement

These amendments clarify that all contracts within the scope of HKAS 39 or HKFRS 9 are included in the scope of the exception as set out in HKFRS 13 for measuring the fair value of a group of financial assets and financial liabilities on a net basis, even if those contracts do not meet the definitions of financial assets or financial liabilities in HKAS 32. These amendments do not have an impact on these consolidated financial statements.

4. REVENUE

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

5. SEGMENT INFORMATION

The Company's executive directors have been identified as the chief operating decision-maker of the Group. The Group has identified its operating segments and prepared segment information 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 consider the business principally from a product perspective which forms a basis for business segment information as over 99% of the Group's sales and business are conducted in the The People's Republic of China ("PRC") from a geographical perspective. Business reportable operating segments identified are instant noodles, beverages, instant food and others. The segment of others includes investment holding, investment properties for rental propose logistics and supportive functions.

For the purposes of assessing the performance of the operating segments and allocating resources between segments, the executive directors assess the performance of reportable segments based on the net profit for the year and the profit (loss) before taxation, share of results of associates and joint ventures and unallocated income (expenses), net.

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

Inter-segment sales are priced at cost plus profit margin. The accounting policies of the reporting segments are the same as the Group's accounting policies.

The geographical location of the Group' s customers is based on the location at which the goods are delivered. Over 99% of the revenues from external customers of the Group are attributable to customers located in the PRC, the place of domicile of the Group' s operating entities. Meanwhile, all of the Group' s non-current assets other than available-for-sale financial assets are located in the PRC.

No revenue from a single external customer amounted to 10% or more of the Group' s revenue.

Business segment analysis

The segment information for the years ended 31 December 2015 and 2014 are as follows:

	2015					
	Instant noodles *US$'000*	Beverages *US$'000*	Instant food *US$'000*	Others *US$'000*	Inter-segment elimination *US$'000*	Total *US$'000*
Revenue						
Revenue from external customers	3,612,658	5,243,762	136,647	109,743	–	9,102,810
Inter-segment revenue	84	470	208	137,403	(138,165)	–
Segment revenue	3,612,742	5,244,232	136,855	247,146	(138,165)	9,102,810
Segment result after finance costs	391,326	93,976	(14,641)	(15,059)	1,216	456,818
Share of results of associates and joint ventures	–	17,925	(6,643)	–	–	11,282
Unallocated income, net	–	–	–	3,398	–	3,398
Profit (loss) before taxation	391,326	111,901	(21,284)	(11,661)	1,216	471,498
Taxation	(117,404)	(71,046)	(84)	(1,480)	–	(190,014)
Profit (loss) for the year	273,922	40,855	(21,368)	(13,141)	1,216	281,484

	2014					
	Instant noodles *US$'000*	Beverages *US$'000*	Instant food *US$'000*	Others *US$'000*	Inter-segment elimination *US$'000*	Total *US$'000*
Revenue						
Revenue from external customers	4,137,685	5,800,419	178,596	121,282	–	10,237,982
Inter-segment revenue	51	586	133	90,287	(91,057)	–
Segment revenue	4,137,736	5,801,005	178,729	211,569	(91,057)	10,237,982
Segment result after finance costs	484,203	220,538	(7,540)	(8,221)	(2,118)	686,862
Share of results of associates and joint ventures	–	17,930	(10,661)	–	–	7,269
Unallocated expenses, net	–	–	–	(562)	–	(562)
Profit (loss) before taxation	484,203	238,468	(18,201)	(8,783)	(2,118)	693,569
Taxation	(123,815)	(84,516)	752	(1,241)	–	(208,820)
Profit (loss) for the year	360,388	153,952	(17,449)	(10,024)	(2,118)	484,749

	2015					
	Instant noodles	Beverages	Instant food	Others	Inter-segment elimination	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Assets						
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						8,481,506
Liabilities						
Segment liabilities	742,034	3,012,906	56,853	1,797,417	(1,064,866)	4,544,344
Unallocated liabilities						42,901
Total liabilities						4,587,245
Other information						
Depreciation and amortisation	112,515	410,643	9,002	18,723	–	550,883
Capital expenditures	144,533	319,738	1,317	11,994	–	477,582
Interest income	50,014	8,568	139	12,109	(25,187)	45,643
Interest expenses	661	44,074	–	42,290	(25,187)	61,838
Impairment loss	9,001	16,901	–	–	–	25,902
Termination benefits	–	42,721	–	–	–	42,721

	2014					
	Instant noodles	**Beverages**	**Instant food**	**Others**	**Inter-segment elimination**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Assets						
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
Liabilities						
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
Other information						
Depreciation and amortisation	105,257	339,819	9,134	9,283	–	463,493
Capital expenditures	340,390	591,845	4,211	543,773	–	1,480,219
Interest income	59,599	4,833	384	10,747	(20,696)	54,867
Interest expenses	37	33,886	–	33,924	(20,696)	47,151
Impairment loss	–	–	–	–	–	–
Termination benefits	–	73,017	–	–	–	73,017

6. OTHER REVENUE AND OTHER NET INCOME

	2015	2014
	US$'000	US$'000
Other revenue		
Interest income	**45,643**	54,867
Gross rental income from investment properties	**1,268**	–
	46,911	54,867
Other net income		
Technical consultancy fee	**16,615**	16,863
Gain on sales of scrapped materials	**25,748**	29,911
Gain on disposal of available-for-sale financial assets	**5,736**	–
Government grants	**44,996**	50,079
Others	**22,138**	57,681
	115,233	154,534
	162,144	209,401

7. PROFIT BEFORE TAXATION

	2015	2014
This is stated after charging (crediting):	*US$'000*	US$'000
Finance costs		
Interest on bank and other borrowings wholly repayable within five years	**62,524**	48,306
Less: Borrowing costs capitalised into property, plant and equipment at weighted average capitalisation rate of 1.96% *(2014: 2.03%)*	**(686)**	(1,155)
	61,838	47,151
Other items		
Depreciation	**534,078**	454,136
Amortisation of prepaid lease payments	**16,051**	8,604
Amortisation of intangible asset	**754**	753

8. TAXATION

	2015	2014
	US$'000	US$'000
Current tax – PRC Enterprise income tax		
Current year	**161,048**	179,859
Over provision in prior year	**(3,533)**	(2,132)
	157,515	177,727
Deferred taxation		
Origination and reversal of temporary differences, net	**11,124**	4,933
Effect of tax losses recognised	–	(4,000)
Effect of withholding tax on the net distributable earnings of the Group's PRC subsidiaries	**21,375**	30,160
	32,499	31,093
Total tax charge for the year	**190,014**	208,820

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 profits subject to Hong Kong Profits Tax for the years ended 31 December 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 the PRC (the "Western Region") with principal revenue of over 70% generated from the encouraged business activities are entitled to an 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 an income tax rate of 15% (2014:15%).

9. DIVIDENDS

Dividends payable to owners of the Company attributable to the year:

	2015	2014
	US$'000	US$'000
Final dividend proposed after the end of the reporting period of US2.29 cents *(2014: US3.57 cents)* per ordinary share	**128,306**	200,054

At meeting held on 22 March 2016, the directors recommended the payment of final dividend of US2.29 cents per ordinary share. The proposed final dividend has not been recognised as dividend payables in the consolidated statement of financial position.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is as follows:

(a) Basic earnings per share

	2015	2014
Profit attributable to ordinary equity shareholders (US$'000)	**256,340**	400,482
Weighted average number of ordinary shares ('000)	**5,603,569**	5,599,873
Basic earnings per share (US cents)	**4.57**	7.15

(b) Diluted earnings per share

	2015	2014
Profit attributable to ordinary equity shareholders (US$'000)	**256,340**	400,482
Weighted average number of ordinary shares (diluted) ('000)		
Weighted average number of ordinary shares	**5,603,569**	5,599,873
Effect of the Company's share option scheme	**7,235**	15,108
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**5,610,804**	5,614,981
Diluted earnings per share (US cents)	**4.57**	7.13

11. TRADE RECEIVABLES

The majority of the Group's sales are cash-on-delivery. The remaining balances of sales are mainly at credit term ranging from 30 to 90 days. The ageing analysis of 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:

	2015	2014
	US$'000	US$'000
0 – 90 days	**215,529**	216,763
Over 90 days	**17,874**	21,476
	233,403	238,239

12. TRADE PAYABLES

The ageing analysis of trade payables based on the invoice date at the end of the reporting period is as follows:

	2015	2014
	US$'000	US$'000
0 – 90 days	**700,892**	863,205
Over 90 days	**21,396**	32,926
	722,288	896,131

13. COMMITMENTS

	2015	2014
	US$'000	US$'000
(a) **Capital expenditure commitments**		
Contracted but not provided for:		
Expenditures on properties, plant and equipment	**147,768**	280,056
Investment funds	**27,789**	28,026
	175,557	308,082

(b) **Commitments under operating leases**

The Group as lessee

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

	2015	2014
	US$'000	US$'000
Within one year	**39,779**	47,235
In the second to fifth years inclusive	**77,724**	75,865
After five years	**29,817**	42,214
	147,320	165,314

The Group as lessor

The Group leases out certain of its investment properties under operating leases with average lease terms of 2-3 years and with options to renew the leases upon expiry at new terms. The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	2015	2014
	US$'000	US$'000
Within one year	**3,793**	–
In the second to fifth years inclusive	**6,440**	–
	10,233	–

14. 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$42,721,000 (2014:US$73,017,000) have been recognised as expenses during the reporting period. As at 31 December 2015, the estimated possible obligation of termination benefits is approximately US$31,279,000 in 2016 (2014: US$70,000,000 between 2015 and 2016).

MANAGEMENT DISCUSSION AND ANALYSIS

Amid the overall PRC environment has been stepped into the New Normal, the 2015 objectives of the Group had been below expectation. It was mainly caused by the objectives of a decline in instant noodles sales due to the price increase for quality upgrade has resulted in the sales channel taking a wait and see stance. During the year, overall Ready-To-Drink ("RTD") tea market was not good. The Group's RTD sales decreased though the market share of RTD tea had not dropped. In addition, the market share of bottled water decreased because we had not grasped timely the situation of the rise of the expansion of the market of bottled water at medium prices. As a result, the objective to activate asset utilization ratio was not satisfactory.

The Group started the change and succession of operation management in 2015 while passed through the progress of change in economic environment under the New Normal. Except for insisting in established operation strategic direction of the Group, we also focused in constantly control capital expenditure at the business management level, unswervingly leaded the industry upgrade, performed product innovation and upgrade and leveraged the opportunity of expanding urbanization of third and fourth tier cities, in order to improve capacity utilization rate and expect to achieve the target of efficiency enhancing. The details for the strategic goal of the Group which focus on "security, cost saving, efficiency enhancing and innovation"are shown as below:

1. Cash is king, steady management, risk management of continuous optimizing financial control and financial safety; strengthening asset utilization rate, effectively management of capital expenditure and optimizing our management of free cash flow;

2. Implementing overall food safety policy and tracing system, reinforcing system of food safety center;

3. Performing product innovation and upgrade: providing extensive customers series of product with rich, quality and comprehensive price; and accelerating product innovation and increasing branding investment through co-operation with international strategic alliance partners and establishment of innovative research & development center;

4. Responding to demand of change in market environment and succession, improving training of heads and entry level employees and introduction of new management tools. Except for improving management ability of modern channel, we also leverage on strengthening the utilization of information system in the management of traditional channel for sales, in order to achieve flexible operation of focus on front-line and simplified management.

In 2015, the Group' s revenue was US$9,102.810 million, a decrease of 11.09% compared to that of 2014. Revenue of instant noodle and beverages dropped by 12.69% and 9.60% respectively. During the year, the Group' s gross margin increased by 1.40 ppt. to 31.86% year-on-year, benefiting from the drop in cost of main raw materials and refining operations in production. In 2015, the Group controlled operating expenses, as a result, distribution costs as a percentage of total revenue decreased by 0.19 ppt. to 20.70% as compared to 20.89% in 2014. Other operating expense increased by US$156.276 million was mainly due to the increase in (1) depreciation of idle assets, (2) impairment loss of machineries and (3) losses caused by the fluctuation in exchange rates. In 2015, earnings before interest, tax, depreciation and amortization (EBITDA) was US$1,038.576 million and the profit attributable to owners of the Company was US$256.340 million, a decrease by 9.64% and 35.99% respectively when compared to the previous year, earnings per share was US4.57 cents, a drop of US2.58 cents year-on-year.

Instant Noodle Business

According to the latest data for 2015 shown by Nielsen, the overall sales volume in the instant noodle market declined by 6.3%, while the sale amount dropped by 2.6%. The Group's instant noodle gained 55.4% market share of sales value in year 2015. In 2015, the Group' s revenue of instant noodle business amounted to US$3,612.742 million, a decrease by 12.69% from previous year, and represented 39.69% of the Group' s total revenue. Benefited from the low level of palm oil price and other material prices remained stable during the period, as a result, gross margin for instant noodle business for the year increased by 1.79 ppt. to 30.12%. The profit attributable to owners of the Company for the instant noodle business was US$273.922 million, dropped by 23.99% when compared to same period last year. The profit declined mainly due to the price increase for quality upgrade in fourth quarter has resulted in the sales channel taking a wait and see stance.

In the context of various trends, including the rise of the middle class, the increasing concern about health and food safety by Chinese consumers. Master Kong, as a leading brand in the industry, shouldered the responsibility to guide the development of category market and actively respond to environmental changes. Hence, in order to gradually promote the long-term and healthy development of the category, the Group had made several major initiatives, including:

1. Comprehensive upgrading its products in many aspects including ingredients, soups, and packaging, gradually leading the category out of cheap product positioning, and meeting the increasing demand of consumers in product quality；

2. Strengthening the investment in brand building and meeting customers' demand in functions and value of the category so as to reverse the impression in the eyes of consumers of the entire category；

3. Continuing to educate customers vividly of food safety to re-establish their confidence in the overall category of instant noodles.

In seeking long-term development, Master Kong had took a number of initiatives to consolidate and improve its current performance:

High-end Noodles

"Master Kong Braised Beef Instant Noodle": We had comprehensively upgraded it inside and outside, and enriched the new launch specifications of Spiced Egg to meet consumers' demand for high-end products. We continued to advocate "Persisting in Dreams, Supporting You All the Way". We had signed with both TFBOYS, a hot new-generation boy group, and Yu Quan as our brand spokesmen to combine the slogan of Braised Beef Brand with youngsters who fight for their dreams through entertaining content marketing so as to make our brand younger and more fashionable.

“Master Kong Pickled Mustard Series”: We continued to communicate with young consumers in an entertaining manner. Meanwhile, we had cooperated with Oriental DreamWorks Kung Fu Panda 3 to make The Kung Fu of Noodle, a video introducing the fine techniques of Pickled Mustard Series and held special a promotional activity, Kung Fu Treasure Tokens, to recovery the market share.

Master Kong Spicy Series: Our personnel for Spicy Beef/Fried Pepper Beef/Pickled Pepper Beef/ Pungent Beef had worked together with the director and actors of Love Apartment, a popular TV drama series, to shot a micro film, Spicy Hero, which gained more than 300 million views on the video and continued to enhance the brand vitality.

We continued to expand the series of delicious soup. We gradually launched the strong and light taste products, including Pork Rib Noodle and Seafood Noodle of “light taste” and Seafood Pork Rib Noodle and Pickle Pork Rib Noodle of “strong taste”. Our research and development also extend the taste innovation and exposure planning to meet the various demands of customers. “Noodles with Gravy” catered to the diet demand of “health & balance”. We cooperated with Jung Da Yeon, Asian Bodybuilding Exercise Queen, to open “Balance Classroom” online, while we held offline activities in major cities and interacted with customers through the philosophy of life of “Balanced Diet, Exercise to be Healthier!”

The release of the creative video, Fried Noodle Combo Together for Seven Lives, not only successfully shared consumers to develop new methods of eating, but also won a gold prize of the category of brand content and entertainment of 2015 Spikes Asia Award.

“Fresh Banquet”, a high-end brand tailored made for the new middle class through the efforts of eight years. The activity was specially held through public relation to create topics to attract the attention of the white-collar workers on dining out which would then be transformed into the attention and recognition on “Fresh Banquet”, healthy, delicious, and low burden. The first attempt rate and repurchase rate had been increased significantly. We are now working on the expansion of business districts to meet the demands of customers.

“Plenty Fine Ingredients”, a new product, launched in February, mainly meet the demands of young consumers like students and white-collar workers of cup noodles in small volume and with fine quality. The product concentrated on “rich and exquisite ingredients, light and right amount of noodle, exquisite and fashionable cup” to develop the high-end cup noodle market. We had held a transboundary fashion conference with Femina, a fashion magazine, to bring about fashionable elements to the brand and make “Plenty Fine Ingredients” the fashion spokesperson for the instant noodle industry.

“Master Soup”, one of our high-end products, was launched in February with the selling points of delicious soup without MSG to attract the attention of high-income groups and gained extensive attention through the topic discussion online of “Cannot Resist the Thick Soup Noodle” in October.

Mid-end Noodles/Snack Noodles

The mid-end noodles of Master Kong maintained a stable and leading position in sales in the market according to Nielsen. The ingredients of "Happy Treasure" had been enriched and upgraded to meet high-end and affordable demand. The amount of "Super Blessing" had been increased to gain the market of products at a mid-end price and with a big volume. We launched a new flavor of "Fantastic" and raised its awareness through TV ads. Through special promotional activities to enhance brand penetration. We had expanded business districts of RMB 1 "Xiang Bao Cui" which had increase in its stable sales and shared the traditional snack noodle market of high prices. Direct/e-commerce channels with multiple specifications were adopted for "Cui Xuan Feng", coupled with online special promotional activities to enhance its brand vitality.

As of supply chain management, we had improved the systematic operation of the mechanism of estimation, sales, order, and production and improved the effectiveness of the coordination of production and sales. Staff skills had been upgraded. Processes had been constantly optimized to stabilize quality. And we had focused on the increase of product gross profit. The production technologies for new product categories had been actively developed and introduced to prepare well for the successful launch of new products. The new second-generation plants gradually went into production with new equipment and standardized operation to provide consumers with products of higher quality. Food safety check and traceability management had been strengthen to enhance corporate image. The project of robots at the site of production, energy conservation, and emission reduction should be promoted to save costs.

In terms of channel management, we shall work on digitalization of access in the era of big data, take advantage of mobile access and sale tools, deepen the analysis of the data of dealer, and optimize access benefits.

BEVERAGE BUSINESS

According to Nielsen 2015 research data, the RTD tea (including milk tea) of the group accounted for 55.4% of the sales volume in the market, representing a year-on-year increase of 1.50 ppt. and ranked the first in the market steadily. The market share of bottled water was 17.6%, ranked the second. Juice drinks accounted for 20% of market share, ranked the second. According to Canadean's data on the sales volume from January to December in 2015, the market share of the Group's carbonated drinks accounted for 28.8%, wherein, cola flavor and fruit flavor carbonated drinks were 46.2% and 35.0% respectively.

In 2015, revenue for beverage business decreased by 9.60% to US$5,244.232 million year on year, representing 57.61% of the Group' s total revenue. The revenue decline mainly due to the slow down on bottled water and juice. Gross margin of beverage business increased by 1.26 ppt. to 33.18% because of the decrease in costs of raw materials such as PET resin and refining operations in production. Confronted with such environment, we have controlled distribution costs. During the year, the increase in other operating expense had negative impacts on profit. It was mainly due to the increase in (1) depreciation of idle assets, (2) impairment loss of machineries and (3) losses caused by fluctuation in exchange rates. Profit attributable to owners of the Company from the beverage business was US$17.639 million, year-on-year dropped by 75.49%.

Our beverage business adopts a primary product focusing policy, except for consolidating the leading position of RTD tea and strengthening communication and market share of bottled water brand, but also concentrating in deeply expanding market presence in carbonated soft drink market; The Group also will strengthen innovation, working together with strategic alliance partners, improving the operation ability of high-end drinks, while adopting the following strategies to grasp the business opportunities of economic transformation in the future:

1. Being committed to enhancing brand power and combining NBA and Disney to create brand vitality: emphasizing the extension of drinking time and occasions for brands and product.

2. Operation management of precise channel and business districts, enhancing investment management of modern channel; optimizing reasonable adjustment in channel inventory through production and marketing co-ordination and operation system, in order to achieve healthy sales and rationalization of internal and external inventory.

3. Enhancing the synergies of Master Kong and Pepsi supply chains, giving full play of the synergy of Master Kong & Pepsi to reduce manufacturing costs.

4. Food safety system certification had been fully implemented for the beverage business. A total of 76 production plants had passed the certification of ISO22000 (Food Safety Management System Certification), FSSC22000 (Food Safety System Certification), and HACCP (Hazard Analysis and Critical Control Point) and implemented food safety traceability. And to ensure that the quality management and product quality of the plants can meet international standards and provide satisfactory and reassuring drinks to customers. Promoting brand image, while promoting international image of quality products through continuous rationalization of international certification.

RTD Tea

The cooperation with NBA formed the image of sports and fashion of the "Ice Tea" series which met customers' drinking demand for different timing by more specifications. Green tea grasped trends firmly to seize the young consumer group. Jasmine series continued the theme of romance, combined movies to activate the brand, and attracted young customers with new products of jasmine and fruit tea of multi-layered tastes. Adhering to professional requirements, the Group had endeavored to make Original Flavor Tea House the same as fresh tea to meet customers' high-end, healthy, and personalized demands. Lipton launched fruit tea with classic English tea style. The sales amount of Lipton in China went up to a new peak in 2015.

Bottled Water

Master Kong Elegance and Pleasure series are quality drinking water with "Superior Quality, International Certification". The quality of Pure Joy of Water had been enhanced comprehensively. Based on the dense production sites of Master Kong, it had given full play of scale synergy to quickly meet the various needs of channel customers.

Carbonated Drinks

The activities of "Bring Joy Home" and "Pepsi Challenge" of Pepsi-Cola and the new brand image of "Happy Pet" advocating "Mixing FUN in Happy Ways" of Mirinda found favor in young people's eyes. Apart from the promotion activities of various brands, which enhanced the interactive experiences and participation of consumption.

Juice Drinks

Master Kong's juice drinks have multiple specifications to meet consumers' drinking demand for different timing, grasped the urbanized cities sales. Rock Candy Pear communicated with customers through the theme of "Moist for Every Second" and with several specifications. We repositioned Light Fruit and launched a new flavor of lemon which resulted in fast growth of performance. The new flavor of lemon with fruit grain for Tropicana had been upgraded with unique blended style to attract young consumers.

Vitamin Drinks

Master Kong quickly distributed a new vitamin beverage "Natural Vitality" with natural vitamin and lutein nationwide, mainly targeting at customers of the 90s. The launch of "Vitamin Power", a creative vitamin drink, engaged Lee Minho, a Korean hit star as the spokesman, which facilitated the quick gain of market share. The activity of "One Shot, One Million" of Gatorade brought about a great upsurge in sports and remained the top sports drinks.

Milk Drinks

The Group join hands with Weichuan to produce Pro-biotic Drinks had broken through the restrictions of cold chains and boasted exclusive LPF bacteria formula to meet consumers' healthy, high-end, and diversified demands. Also, we had introduced One Second Fresh Milk Tea to meet customers' demand for good tea without the burden of calorie and promoted hot tea drinks in winter.

R&D Center had been established to focus on the study of key raw materials and technology development and actively master the technologies of key and new materials, such as the patent for the raw materials of new tea, new packaging, and process technology. It had made excellent achievement in terms of the development, certification, and introduction of caps, aluminum foil packaging materials, PET bottle labels, high translucent shrinkage films, and glass bottles.

Instant Food Business

According to Nielsen, in terms of sales value, the market share of Master Kong's egg rolls in 2015 accounted for 19.4%, ranked the first in the market followed by sandwich crackers accounting for 12.5%.

In 2015, revenue of the instant food business amounted to US$136.855 million, representing a drop of 23.43% year-on-year, and 1.50% of the Group' s total revenue. Gross margin dropped by 2.35 ppt. to 33.83% mainly due to the sales decline from the bakery business and the low utilization ratio. In addition, owing to the investment loss for the new product development of new business, the instant food business recorded a loss of US$21.368 million.

In response to the above business environment, we combined the features of being diversified and small to build a flexible business development model and rapidly response to market changes. Below major initiatives had been made:

1. Focusing on popular products, such as cakes and snacks, capitalizing on upgrade and innovation such as the diversification of product specification and high end presentation, and increasing market share.

2. Changing business model and business cooperation model and promoting organizational reform in order to share resources and enhance synergy.

3. Integrating and checking dealers, improving the management skills of business representatives, and continuously optimizing distribution system.

4. Increasing the flexibility of supply chain and integrating resources to reduce operating costs and increase supply elasticity and gross margin.

As of Master Kong 3+2 sandwich crackers, in response to the new business situation and in order to meet customers' demand of small volume, various choices, and multi-frequency, 3+2 sharing package and display box had been launched at e-commerce and convenience stores. In order to meet customers' demand of high-end and exquisite cakes, Master Kong Muffin French Cake had been upgraded. Meanwhile, the cooperation with other industry had been carried out by combining Muffin and Teddy Bear. In December, a limited edition of gift package of Muffin and Teddy Bear had been launched. As of Master Kong egg rolls, in order to meet customers' demand of gift giving and high-end products, combined with the tea resources of the Group, a new product of egg roll and tea gift package had been launched in December.

In addition, in terms of organization operation, the special project of organizational optimization had been completed by the end of 2015. We will continue integrate and optimize the organization to concentrate resources more on the core cake business, simplify the operation processes of each business department, and strengthen the human resources of the organization in order to give full play of resources sharing, cost saving, and efficiency saving.

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 in 2015. As at 31 December 2015, the Group' s cash and bank deposits totaled US$1,023.700 million, a decrease of US$159.403 million from 31 December 2014. A sufficient amount of cash holding was still maintained. As at 31 December 2015, the Group' s total assets and total liabilities amounted to approximately US$8,481.506 million and US$4,587.245 million respectively. This showed decreases in US$724.551 million and US$523.148 million respectively compared to 31 December 2014. The debt ratio decreased by 1.42 ppt. to 54.09% compared to 31 December 2014.

As at 31 December 2015, the Group' s total interest bearing borrowings decreased by US$179.189 million to US$2,449.565 million when compared to 31 December 2014. The borrowings were mainly used for capital expenditure on production facilities and general working capital. At the end of reporting period, the Group' s proportion of the total borrowings denominated in foreign currencies and Renminbi were 79% and 21% respectively, as compared to 82% and 18% respectively as at 31 December 2014. The proportion between the Group' s long-term borrowings and short-term borrowings was 54% and 46% respectively, as compared to 47% and 53% respectively as at 31 December 2014. Considered 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 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.

On 6 August 2015, the Company issued notes with an aggregate principal amount of RMB1 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. 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 year, the depreciation in Renminbi against US dollar by 4.75%, together with the fluctuation of exchange rate in Euro against USD, brought realized/unrealised losses of US$56.145 million in the Group' s income statement.

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$42.721 million have been recognised as expenses during the year ended 31 December 2015. At 31 December 2015, the estimated possible obligation of termination benefits is amounted to approximately US$31.279 million in 2016 (2014: US$70 million between 2015 and 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 year ended 31 December 2015, the Group has committed for the payment of US$22.735 million arising from the Compensation Plan and such payment has been recognized as expenses by the Group. At 31 December 2015, the possible amount of liabilities which arising from the Compensation Plan but not yet committed by the Group is amounted to approximately US$18.265 million.

Financial Ratio

	For the year ended 31 December	
	2015	2014
Finished goods turnover	**10.87 Days**	11.73 Days
Trade receivables turnover	**9.46 Days**	8.89 Days
Current ratio	**0.68 Times**	0.64 Times
Gearing ratio (Net debt to equity attributable to owners of the Company)	**0.49 Times**	0.48 Times
Debt ratio (Total liabilities to total assets)	**54.09%**	55.51%

Human Resources

As of December 31, 2015, the Group had 69,622 employees. Located at W Square in Shanghai at the beginning of 2015, the Group upheld the concept of new landmark, new step, and new thinking, practiced the corporate culture of prospect, performance, science, and harmony, and continued to hold the development of strategic talents as the primary goal of HR.

We had introduced international talent management tools, deepened the cultivation and development of core talents, and established a team of successors. We inherited internal experiences and skills through action learning and project training while engaging external agencies to convey advanced management concepts and learning from benchmark enterprises so as to provide the competitive edge of core talents for the sustainable operation of the Group. Meanwhile, we had introduced high-quality talents in the industry, promoted internal talents nationwide, established long-term cooperative relationships with key universities at home and abroad, and carried out the personnel system of management trainee to improve the mechanism of talent reservation for various levels.

In addition, we had implemented the culture of performance, strengthened the quantitative management of performance target, and improved the performance management system which closely integrated KPI and reward incentive mechanism to enhance the Group's management performance.

Food Safety

In 2015, Master Kong's Innovation R&D Center and Food Safety Center in Shanghai with an area of 2,000 m2 was re-opened. As the center is fully equipped with the industry's top precise equipment with a total investment exceeding a monitoring system of 1,500 inspection indicators, the comprehensive strength of Master Kong's huge world-class inspection mechanism has reached internationally advanced level in the industry in terms of both software and hardware. Our quality control keeps abreast of food safety issues at home and abroad and front-end scientific research information and we proactively launches sampling and directional screening tests which prioritize key raw material risks. Besides constantly updating in-house technical points of food safety, we also take part in formulation of relevant national regulations and standards with reference to scientific findings. Externally, we select outstanding partners in the field such as multinational brands and well-known research institutes to form strong strategic alliances for project cooperation, enhancement in product safety and prospective prevention-oriented studies on critical raw materials. In respect of product development stage, we introduced the "food safety access" system and "product lifecycle management (PLM) " information management system to monitor major food safety items from regulatory, risk survey and prospective research perspectives. Our food safety control has been broadened to cover product design process.

Corporate Social Responsibility

During the year, in response to the call of "Food Safety into Campus" by the government, Master Kong solely sponsored and organized the "Public Food Safety Science Innovation Contest". This was a year-long campaign which showcased the collected full visual works of popular science along a road show starting from Beijing and passing through 11 cities. 10 leading experts and scholars visited 42 colleges across the country and gave seminars for spreading scientific knowledge of food safety. As a result of our outstanding contribution in food safety and food safety popular science in 2015, Master Kong won the following awards from industry regulators and media in the year: "Top Ten Enterprises in the Year" from 13th China Food Safety Annual Conference and "China Food Enterprise Benchmarking Golden Chopsticks Award" from the Sixth China Food Safety Senior Management Dialogue 2015.

Master Kong upholds the principle of leading the healthy and orderly development of the industry, and contributes to the sustainable development of society and environment. Master Kong will continue to implement energy-saving and emission-reduction measures while improving production efficiency. The continuous introduction and application of new energy-saving technologies have produced favorable economic and social benefits to the Group. In 2015, Pepsi's 16 branch companies in Jinan, Fuzhou, Guangzhou, etc. were recognized as "2015 top energy-saving companies in China's beverage industry".

In response to society and our own demand for sustainable development, Master Kong initiated a world prestigious school cooperation scheme in 2009. During the five years from 2010 to 2015, we have sponsored a total of 341 students from Taiwan, Hong Kong, and Mainland China. 2015, Master Kong has been putting forward a water education campaign leaded by "Master Kong Youyue" to transmit the idea to primary school students in China that water is a useful, treasurable and scarce asset. Further, as a sponsor of the NBA and CUBA games, in 2015, Master Kong contributed to the promotion of basketball into community and colleges campus as a way to foster health awareness, especially for the youth sport development.

For disaster relief and post-disaster restoration, such as in Ya'an disaster, earthquake in Pishan County, Xinjiang, floods in Pingyang, Zhejiang and landslides in Shanyang, Shaanxi and massive explosion incident in Binhai New Area of Tianjin, Master Kong made a lot of efforts and contributions in 2015. In recognition of Master Kong's various contribution to the society, Mr. James Wei, Chief Executive Officer, was awarded the title of "Outstanding Entrepreneur in the 2015 Corporate Social Responsibility Ranking in China".

PROSPECTS

2015 witnessed Master Kong's adaption to environment and positive changes. Master Kong had been included in the list of the World's Most Innovative Enterprises 2015 by Forbes and received the rewards related to innovation and food safety include the "China Food Enterprise Benchmarking Golden Chopsticks Award" from the Sixth China Food Safety Senior Management Dialogue 2015, which continued to prove the domestic and foreign recognition and affirmation for the sustainable performance of Master Kong. Meanwhile, we continued to promote the strength and intensity of product innovation. These efforts have repeatedly proved that Master Kong can not only embrace challenges with an open mind and face adversities bravely, but also move forward at a steady pace to keep up with consumers, markets, and the world.

Looking into the future, “sustainability” is not only the Group’s vision but also its core thinking and competitiveness in terms of operation and development. In the face of the new normal market environment, we prepare based on accumulated strengths, continue to build and complete resources incubators and the cradle for talent management which will serve as the solid foundation to cater for the rapid changing environment and the long-term planning for sustainable development. At the same time, the Group shall be more stable in financial management and control and planning. In particular, it will focus on the management of capital expenditure and health free cash flow, prepare fund conversation and asset management well to conform to the macro-trend, and give full play of the established brand and supply chain assets. Shanghai Disneyland is about to open in June 2016. Master Kong and Pepsi, as its strategic partners, will continue to plan unique and influential marketing activities and expect Chinese tea culture will be witnessed by customers from all over the world in Shanghai Disneyland and promoted internationally. In 2016, we will continue to uphold the concept of respect for consumers, take more productive and innovative initiatives, introduce external resources, strengthen channel innovation, and promote the healthy development of the company.

In terms of the instant noodle business, we will not only firmly promote product upgrading and lead healthy development of the industry. Not only investing resources in product innovation for respond to rapid change of environment and consumers; but also continuing to emphasize brand investment, promoting image of brand rejuvenation, and considering every consumer groups by offering different product portfolios. In 2016, we will launch “strong taste “series which focus on taste innovation. The Group will continue to increase investment on brand building and make the brand more youthful. And to cater for the demands of different consumer groups through various product portfolios. We are convinced that as long as we can cater for the concerns of customer groups at all levels, we can gain the final support from channels and customers. The beverage business will continue to fixate on operation and innovation of core products, which is expected to launch various new products in 2016 for satisfying demand of consumers for diversified tastes of healthy and high-ended products. And to give full play of the synergy of Master Kong & Pepsi supply chain, optimize production costs, strictly control product quality, and increase operational efficiency. By the construction of plants and the adjustment of production lines, we will speed up the optimization of production equipment and the improvement of warehousing and distribution and give full play of scale synergy to reduce procurement and manufacturing costs so as to continue to promote a more efficient operation system. Meanwhile, we also continue to optimize service and management of channel, and continue to deeply develop each business districts leveraging on distributors for improving turnover of product and sales; and also insist in continue to begin skill enhancing of staff and talent training for providing the most professional and premium service. As of instant food business, we uphold the principle of steady operation, follow the business model of light assets, further activate fixed assets. At the same time through the co-operative business planning for new business, re-focus the core product management, and leveraging resources in cooperation with international partners, effectively leverage on all kinds of strengths to create new business opportunity in order to effectively achieve operation performance. The Group will continue to strengthen the construction of food safety system and reinforce traceability management through internal and external audit and control mechanisms to ensure good quality of products.

Looking ahead, the industry and its environment is under rapidly change. We must keep flexible action plans, shrewd business judgment, and long-term planning, management, and control in order to be ready to make the best decisions. Master Kong promises to stick to the most strict self-requirements and standards and take more positive actions to enhance its sustainable competitiveness, and care employee, society, and volunteer workers. These are all our directions requiring constant efforts. We look forward to the feedback and suggestions from all sectors, and hope we can grow robustly on the road to implement corporate social responsibility and operate sustainably!

CORPORATE GOVERNANCE

We have, throughout the period ended 31 December 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.

Scope of Work of Mazars CPA Limited

The figures contained in the preliminary announcement of our Group's results for the year have been agreed by our Group's auditor, Mazars CPA Limited, to the amounts set out in our Group's consolidated financial statements for the year ended 31 December 2015. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Mazars CPA Limited on the preliminary announcement.

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 year.

Remuneration and Nomination Committee

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 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 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 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 1,238,000 shares during the period for approximately US$2.219 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.

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:

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 twelve months ended 31 December 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.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the "Annual General Meeting") be held on 3 June 2016. The notice of the Annual General Meeting will be published on the Company's website and sent to the shareholders of the Company in due course.

PROPOSED FINAL DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Board has recommended the payment of a final dividend of US2.29 cents per ordinary share of the Company in respect of the year ended 31 December 2015. Subject to the approval of shareholders at the Annual General Meeting, the final dividend will be paid on or about 6 July 2016.

(1) To attend and vote at the annual general meeting

The register of members of the Company will be closed from 1 June 2016 to 3 June 2016 (both dates inclusive). In order to determine the identity of the shareholders who are entitled to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30pm on Tuesday, 31 May 2016.

(2) To qualify for the final dividends

The register of members of the Company will be closed from 10 June 2016 to 14 June 2016 (both dates inclusive). In order to determine the identity of the shareholders who are entitled to qualify for the final dividends, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30pm on 8 June 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, 22 March 2016

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

* *For identification purpose only*