



2015

FIRST QUARTERLY REPORT

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SUMMARY

US\$'000	For the three months ended 31 March		
	2015	2014	Change
• Turnover	2,321,179	2,781,769	↓ 16.56%
• Gross margin	31.66%	30.38%	↑ 1.28 ppt.
• Gross profit of the Group	734,870	845,100	↓ 13.04%
• EBITDA	329,724	364,186	↓ 9.46%
• Profit for the period	133,777	172,870	↓ 22.61%
• Profit attributable to owners of the Company	107,014	128,359	↓ 16.63%
• Earnings per share (US cents)			
Basic	1.91	2.29	↓ 0.38 cents
Diluted	1.91	2.29	↓ 0.38 cents

At 31 March 2015, cash and cash equivalents was US\$1,940.613 million, an increase of US\$757.510 million when compared to 31 December 2014. Gearing ratio was 0.21 times.

2015 FIRST QUARTERLY 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 three months ended 31 March 2015 together with the comparative figures for the corresponding period in 2014. These unaudited condensed consolidated first quarterly financial statements have been reviewed by the Company’s Audit Committee.





TINGYI (CAYMAN ISLANDS) HOLDING CORP.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the Three Months Ended 31 March 2015

		For the three months ended 31 March	
		2015	2014
		(Unaudited)	(Unaudited)
	Note	US\$'000	US\$'000
Turnover	2	2,321,179	2,781,769
Cost of sales		(1,586,309)	(1,936,669)
Gross profit		734,870	845,100
Other revenue and other net income		25,049	32,909
Distribution costs		(430,935)	(513,902)
Administrative expenses		(82,360)	(82,100)
Other operating expenses		(37,703)	(27,674)
Finance costs	5	(15,008)	(10,861)
Share of results of associates and joint ventures		3,697	1,543
Profit before taxation	5	197,610	245,015
Taxation	6	(63,833)	(72,145)
Profit for the period		133,777	172,870
Profit attributable to:			
Owners of the Company		107,014	128,359
Non-controlling interests		26,763	44,511
Profit for the period		133,777	172,870
Earnings per share	7		
Basic		US 1.91 cents	US 2.29 cents
Diluted		US 1.91 cents	US 2.29 cents





CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Three Months Ended 31 March 2015

	For the three months ended 31 March	
	2015	2014
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Profit for the period	133,777	172,870
Other comprehensive (loss) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on consolidation	(1,798)	(116,808)
Fair value changes in available-for-sale financial assets	701	—
Other comprehensive loss for the period	(1,097)	(116,808)
Total comprehensive income for the period	<u>132,680</u>	<u>56,062</u>
Total comprehensive income attributable to:		
Owners of the Company	106,756	42,251
Non-controlling interests	25,924	13,811
	<u>132,680</u>	<u>56,062</u>





TINGYI (CAYMAN ISLANDS) HOLDING CORP.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2015

		At 31 March 2015 (Unaudited) <i>US\$'000</i>	At 31 December 2014 (Audited) <i>US\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		5,879,576	5,859,905
Prepaid lease payments		742,054	737,387
Intangible assets		27,116	27,305
Interest in associates		33,031	31,973
Interest in joint ventures		76,770	74,153
Available-for-sale financial assets		99,675	79,052
Deferred tax assets		51,759	53,009
		<hr/> 6,909,981	<hr/> 6,862,784
Current assets			
Financial assets at fair value through profit or loss		2,438	2,352
Inventories		383,031	386,958
Trade receivables	9	246,028	238,239
Prepayments and other receivables		517,920	532,621
Pledged bank deposits		9,910	12,203
Bank balances and cash		1,930,703	1,170,900
		<hr/> 3,090,030	<hr/> 2,343,273
Total assets		<hr/> 10,000,011	<hr/> 9,206,057





TINGYI (CAYMAN ISLANDS) HOLDING CORP.

		At 31 March 2015 (Unaudited) US\$'000	At 31 December 2014 (Audited) US\$'000
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	10	28,021	28,019
Share premium		66,072	65,421
Reserves		3,049,073	2,940,117
Total capital and reserves attributable to owners of the Company		<u>3,143,166</u>	<u>3,033,557</u>
Non-controlling interests		<u>1,088,031</u>	<u>1,062,107</u>
Total equity		<u>4,231,197</u>	<u>4,095,664</u>
Non-current liabilities			
Long-term interest-bearing borrowings	11	1,272,978	1,246,720
Employee benefit obligations		29,022	28,702
Deferred tax liabilities		206,636	198,487
		<u>1,508,636</u>	<u>1,473,909</u>
Current liabilities			
Trade payables	12	1,062,142	896,131
Other payables and deposits received		1,132,669	1,233,472
Current portion of interest-bearing borrowings	11	1,338,716	1,382,034
Advance payments from customers		676,262	100,522
Taxation		50,389	24,325
		<u>4,260,178</u>	<u>3,636,484</u>
Total liabilities		<u>5,768,814</u>	<u>5,110,393</u>
Total equity and liabilities		<u>10,000,011</u>	<u>9,206,057</u>
Net current liabilities		<u>(1,170,148)</u>	<u>(1,293,211)</u>
Total asset less current liabilities		<u>5,739,833</u>	<u>5,569,573</u>





TINGYI (CAYMAN ISLANDS) HOLDING CORP.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Three Months Ended 31 March 2015

	Attributable to owners of the Company			Total capital and reserves (Unaudited) USD'000	Non- controlling interests (Unaudited) USD'000	Total Equity (Unaudited) USD'000
	Issued capital (Unaudited) USD'000	Share premium (Unaudited) USD'000	Reserves (Unaudited) USD'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	—	—	128,359	128,359	44,511	172,870
Other comprehensive loss:						
Exchange differences on consolidation	—	—	(86,108)	(86,108)	(30,700)	(116,808)
Total other comprehensive loss	—	—	(86,108)	(86,108)	(30,700)	(116,808)
Total comprehensive income for the period	—	—	42,251	42,251	13,811	56,062
Transactions with owners of the Company:						
<i>Contributions and distribution</i>						
Equity settled share-based transactions	—	—	1,969	1,969	—	1,969
Shares issued under share option scheme	1	160	(42)	119	—	119
Total transactions with owners of the Company	1	160	1,927	2,088	—	2,088
At 31 March 2014	<u>27,983</u>	<u>53,591</u>	<u>2,843,057</u>	<u>2,924,631</u>	<u>1,059,906</u>	<u>3,984,537</u>





CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Three Months Ended 31 March 2015

	Attributable to owners of the Company					Total Equity (Unaudited) USD'000
	Issued capital (Unaudited) USD'000	Share premium (Unaudited) USD'000	Reserves (Unaudited) USD'000	Total capital and reserves (Unaudited) USD'000	Non- controlling interests (Unaudited) USD'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	—	—	107,014	107,014	26,763	133,777
Other comprehensive income (loss):						
Exchange differences on consolidation	—	—	(959)	(959)	(839)	(1,798)
Fair value changes in available-for-sale financial assets	—	—	701	701	—	701
Total other comprehensive income (loss)	—	—	(258)	(258)	(839)	(1,097)
Total comprehensive income for the period	—	—	106,756	106,756	25,924	132,680
Transactions with owners of the Company:						
<i>Contributions and distribution</i>						
Equity settled share-based transactions	—	—	2,316	2,316	—	2,316
Shares issued under share option scheme	2	651	(116)	537	—	537
Total transactions with owners of the Company	2	651	2,200	2,853	—	2,853
At 31 March 2015	<u>28,021</u>	<u>66,072</u>	<u>3,049,073</u>	<u>3,143,166</u>	<u>1,088,031</u>	<u>4,231,197</u>





TINGYI (CAYMAN ISLANDS) HOLDING CORP.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2015

	2015 (Unaudited) <i>US\$'000</i>	2014 (Unaudited) <i>US\$'000</i>
OPERATING ACTIVITIES		
Cash generated from operations	1,043,463	931,280
The People's Republic of China ("PRC") enterprise income tax paid	(28,358)	(49,239)
Interest paid	(14,703)	(10,568)
Net cash from operating activities	<u>1,000,402</u>	<u>871,473</u>
INVESTING ACTIVITIES		
Interest received	11,824	17,231
Purchase of available-for-sale financial assets	(19,903)	(4,790)
Purchase of property, plant and equipment	(167,354)	(213,996)
Prepaid lease payments	(50,419)	(15,896)
Net cash inflow on disposal of a subsidiary	—	19,916
Others	102	9,487
Net cash used in investing activities	<u>(225,750)</u>	<u>(188,048)</u>
FINANCING ACTIVITIES		
Proceeds from bank borrowings	309,415	185,351
Repayments of bank borrowings	(326,522)	(207,005)
Others	537	121
Net cash used in financing activities	<u>(16,570)</u>	<u>(21,533)</u>
Net increase in cash and cash equivalents	758,082	661,892
Cash and cash equivalents at 1 January	1,183,103	1,249,890
Effect on exchange rate changes	(572)	(31,518)
Cash and cash equivalents 31 March	<u><u>1,940,613</u></u>	<u><u>1,880,264</u></u>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	1,930,703	1,868,121
Pledged bank deposits	9,910	12,143
	<u><u>1,940,613</u></u>	<u><u>1,880,264</u></u>





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The Directors are responsible for the preparation of the Group's unaudited condensed consolidated first quarterly financial statements. These condensed consolidated first quarterly financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These condensed consolidated first quarterly financial statements should be read in conjunction with the 2014 annual financial statements. The accounting policies adopted in preparing the condensed first quarterly financial statements for the three months ended 31 March 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.





TINGYI (CAYMAN ISLANDS) HOLDING CORP.

3. Segment information

Segment results

	For the Three Months ended 31 March 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	1,000,038	1,260,216	37,493	23,432	—	2,321,179
Inter-segment revenue	19	37	44	31,200	(31,300)	—
Segment revenue	<u>1,000,057</u>	<u>1,260,253</u>	<u>37,537</u>	<u>54,632</u>	<u>(31,300)</u>	<u>2,321,179</u>
Segment results after finance cost						
Share of results of associates and joint ventures	—	6,114	(2,417)	—	—	3,697
Unallocated expenses, net	—	—	—	(133)	—	(133)
Profit (loss) before taxation	133,899	70,546	(5,045)	(1,811)	21	197,610
Taxation	(39,711)	(24,020)	—	(102)	—	(63,833)
Profit (loss) for the period	<u>94,188</u>	<u>46,526</u>	<u>(5,045)</u>	<u>(1,913)</u>	<u>21</u>	<u>133,777</u>

	For the Three Months ended 31 March 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	1,149,795	1,554,294	53,163	24,517	—	2,781,769
Inter-segment revenue	14	67	36	20,700	(20,817)	—
Segment revenue	<u>1,149,809</u>	<u>1,554,361</u>	<u>53,199</u>	<u>45,217</u>	<u>(20,817)</u>	<u>2,781,769</u>
Segment results after finance cost						
Share of results of associates and joint ventures	—	4,739	(3,196)	—	—	1,543
Unallocated expenses, net	—	—	—	(1,365)	—	(1,365)
Profit (loss) before taxation	138,637	119,854	(3,949)	(9,142)	(385)	245,015
Taxation	(35,575)	(36,322)	169	(417)	—	(72,145)
Profit (loss) for the period	<u>103,062</u>	<u>83,532</u>	<u>(3,780)</u>	<u>(9,559)</u>	<u>(385)</u>	<u>172,870</u>

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





3. Segment information (continued)

Segment assets

	At 31 March 2015					
	Instant noodles	Beverages	Instant food	Others	Inter-segment	Group
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	elimination	(Unaudited)
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Segment assets	3,476,509	5,978,572	147,697	1,280,599	(1,095,280)	9,788,097
Interest in associates	—	32,164	867	—	—	33,031
Interest in joint ventures	—	62,942	13,828	—	—	76,770
Unallocated assets						102,113
Total assets						10,000,011
Segment liabilities	978,070	4,017,131	52,364	1,727,648	(1,035,421)	5,739,792
Unallocated liabilities						29,022
Total liabilities						5,768,814

	At 31 December 2014					
	Instant noodles	Beverages	Instant food	Others	Inter-segment	Group
	(Audited)	(Audited)	(Audited)	(Audited)	elimination	(Audited)
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	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 and joint ventures and unallocated assets which include available-for-sale financial assets and financial assets at fair value through profit or loss. 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:

	For the three months ended 31 March	
	2015	2014
	(Unaudited)	(Unaudited)
	<i>US\$'000</i>	<i>US\$'000</i>
Finance costs		
Interest on bank and other borrowings wholly repayable within five years	15,008	10,861
Other items		
Depreciation	126,939	123,617
Amortisation	1,991	2,025

6. Taxation

	For the three months ended 31 March	
	2015	2014
	(Unaudited)	(Unaudited)
	<i>US\$'000</i>	<i>US\$'000</i>
Current tax – the People’s Republic of China (the “PRC”) Enterprise income tax		
Current period	55,453	64,520
Deferred taxation		
Origination and reversal of temporary differences, net	2,076	(2,233)
Effect of withholding tax on the distributable earnings of the Group’s PRC subsidiaries	6,304	9,858
Total tax charge for the period	63,833	72,145

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

Hong Kong Profits Tax has not been provided as the Group’s entities had no assessable profit subject to Hong Kong Profits Tax for the three months ended March 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*

	For the three months ended 31 March	
	2015	2014
	(Unaudited)	(Unaudited)
Profit attributable to ordinary shareholders (US\$'000)	107,014	128,359
Weighted average number of ordinary shares ('000)	5,604,009	5,596,406
Basic earnings per share (US cents)	1.91	2.29

(b) *Diluted earnings per share*

	For the three months ended 31 March	
	2015	2014
	(Unaudited)	(Unaudited)
Profit attributable to ordinary shareholders (US\$'000)	107,014	128,359
<i>Weighted average number of ordinary shares (diluted) ('000)</i>		
Weighted average number of ordinary shares	5,604,009	5,596,406
Effect of the Company's share option scheme	9,275	18,055
Weighted average number of ordinary shares for the purpose of calculated diluted earnings per share	5,613,284	5,614,461
Diluted earnings per share (US cents)	1.91	2.29

8. Dividend

The Board of Directors does not recommend the payment of an interim dividend for the three months ended 31 March 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 31 March 2015	At 31 December 2014
	(Unaudited)	(Audited)
	<i>US\$'000</i>	<i>US\$'000</i>
0 - 90 days	228,988	216,763
Over 90 days	17,040	21,476
	246,028	238,239





10. Issued capital

	At 31 March 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	320,000	2	7,354,000	37
At the end of the reporting period	5,604,079,360	28,021	5,603,759,360	28,019

During the reporting period, 320,000 options were exercised to subscribe for 320,000 ordinary shares of the Company at a consideration of US\$537,000 of which US\$2,000 was credited to share capital and the balance of US\$535,000 was credited to the share premium account. US\$116,000 has been transferred from the share-based payment reserve to the share premium account.

11. Interest-bearing borrowings

	At 31 March 2015 (Unaudited) US\$'000	At 31 December 2014 (Audited) US\$'000
The maturity of the interest bearing borrowings:		
Within one year	1,338,716	1,382,034
In the second year	250,330	276,621
In the third year to the fifth years, inclusive	1,022,648	970,099
	2,611,694	2,628,754
Portion classified as current liabilities	(1,338,716)	(1,382,034)
Non-current portion	1,272,978	1,246,720

The interest-bearing borrowings consist of unsecured bank loans that are not pledged 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\$496,809,000 (2014: US\$496,504,000) and is included in the interest-bearing borrowings with maturity 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 31 March 2015 was US\$519,250,000 (2014: US\$516,950,000), which was based on the quoted market price.

During the three months ended 31 March 2015, the Group obtained bank loans in the amount of US\$309,415,000 (2014: US\$185,351,000) which were used for the acquisition of properties for the Group's Shanghai operation center and production facilities and working capital, and recognised amortised interest of the Notes of US\$305,000 (2014: US\$292,000). Repayments of bank loans amounting to US\$326,522,000 (2014: US\$207,005,000) were made in line with previously disclosed repayment term.

12. Trade payables

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

	At 31 March 2015 (Unaudited) US\$'000	At 31 December 2014 (Audited) US\$'000
0 - 90 days	1,020,392	863,205
Over 90 days	41,750	32,926
	1,062,142	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 31 March 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 31 March 2015 (Unaudited)				At 31 December 2014 (Audited)			
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Assets								
<i>Available-for-sale</i>								
– Investment funds	–	25,398	55,589	80,987	–	24,956	50,708	75,664
– Unlisted equity securities	–	–	15,300	15,300	–	–	–	–
<i>Financial assets at fair value through profit or loss</i>								
– Listed equity securities	2,438	–	–	2,438	2,352	–	–	2,352
	<u>2,438</u>	<u>25,398</u>	<u>70,889</u>	<u>98,725</u>	<u>2,352</u>	<u>24,956</u>	<u>50,708</u>	<u>78,016</u>
Liabilities								
<i>Other payables and deposits received</i>								
– Derivative financial instruments	–	–	314	314	–	–	314	314
	<u>–</u>	<u>–</u>	<u>314</u>	<u>314</u>	<u>–</u>	<u>–</u>	<u>314</u>	<u>314</u>

During the three months ended 31 March 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:

	31 March 2015 (Unaudited)			31 March 2014 (Unaudited)		
	Investment Funds US\$'000	Unlisted equity securities US\$'000	Derivative financial instruments US\$'000	Investment Funds US\$'000	Unlisted equity securities US\$'000	Derivative financial instruments US\$'000
At beginning of the period	50,708	–	(314)	21,275	–	(6,893)
Purchases	4,603	15,300	–	4,790	–	–
Total gains or (losses) recognised:						
– in profit or loss	–	–	–	–	–	–
– in other comprehensive income	278	–	–	–	–	–
At the end of the reporting period	<u>55,589</u>	<u>15,300</u>	<u>(314)</u>	<u>26,065</u>	<u>–</u>	<u>(6,893)</u>





13. Fair Value Measurements (continued)

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

	Period ended 31 March 2015 (Unaudited)			Year ended 31 March 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
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 instruments

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 31 March 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 engages 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 and 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 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 31 March 2015 and 31 December 2014.

14. Commitments

	At 31 March 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	221,625	280,056
Investment funds	27,894	28,026
	<u>249,519</u>	<u>308,082</u>
(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	46,067	47,235
In the second to fifth years, inclusive	75,813	75,865
After five years	39,980	42,214
	<u>161,860</u>	<u>165,314</u>





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.

	For the three months ended 31 March	
	2015	2014
	(Unaudited)	(Unaudited)
	<i>US\$'000</i>	<i>US\$'000</i>
(a) Sales of goods to:		
Companies controlled by a substantial shareholder of the Company	5,396	5,827
Associate	4,842	4,903
Joint ventures	8,575	7,987
	<hr/>	<hr/>
(b) Purchases of goods from:		
A group of companies jointly controlled by the Company's directors and their dependent	86,071	116,164
Companies jointly controlled by the Company's directors	27,486	19,759
Joint ventures	1,444	431
	<hr/>	<hr/>

16. Approval of first quarterly financial statements

The first quarterly financial statements of 2015 were approved by the board of directors on 26 May 2015.





MANAGEMENT DISCUSSION AND ANALYSIS

The Gross Domestic Product (GDP) of the PRC for the first quarter of 2015 increased by 7% on a year-on-year basis, with the growth rate declining by 0.3ppt compared to 7.3% for the fourth quarter of last year, which was the lowest since the first quarter of 2009. The economic downward pressure remained great. The decline in the growth rate of the economy of the PRC in the first quarter was mainly attributed to the factors such as the weak internal and external demand, decreased real estate investment and overcapacity of the manufacturing industry. The consumption growth rate in March declined to 10.2%, a decrease of 0.5ppt for January to February. Consumption intention still tended to be conservative. The Consumer Price Index (CPI) continued to maintain a low-level trend and increased by only 1.2% in the first quarter. Food prices increased by 1.9%. The Producer Price Index decreased by 4.6% on a year-on-year basis.

In the first quarter of 2015, the Group's turnover decreased by 16.56% year-on-year to US\$2,321.179 million. Turnover of instant noodles and beverages decreased by 13.02% and 18.92% respectively. 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 quarter increased by 1.28ppt. to 31.66% on a year-on-year basis, and gross profit amount dropped by 13.04% due to the decline of sales. As a more conservative trend in consumption was developed, the Group has been well controlled operation costs. Distribution costs as a percentage of the total turnover was 18.57%, maintained at the same level as same period last year. The EBITDA of the same period decreased by 9.46% to US\$329.724 million, EBITDA margin increased by 1.1ppt to 14.21%. Profit attributable to owners of the Company dropped by 16.63% to US\$107.014 million, net profit margin attributable to owners of the Company maintained at same level as same period last year at 4.61%. Earnings per share in the first quarter of 2015 decreased by 0.38 US cents to 1.91 US cents.

FOOD BUSINESS

Instant Noodle Business

In the first quarter of 2015, the turnover of the Group's instant noodle business was US\$1,000.057 million, grew by 2.90% when compared to fourth quarter last year, and dropped by 13.02% on a year-on-year basis, representing 43.08% of the Group's turnover. Benefited from the successful product upgrade strategy, and palm oil price was at low level and other material prices maintained stable during the period, as a result, the gross profit margin of the instant noodle business increased by 2.78ppt. to 30.81%, and gross profit decreased by 4.42% on a year-on-year basis. 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 8.61% on a year-on-year basis to US\$94.188 million, grew by 17.76% when compared to the fourth quarter last year.

According to the latest market share analysis data from AC Nielsen, the market shares of Master Kong's instant noodles in terms of sales volume and sales amount were 46.9% and 55.9%, respectively, represented an increase of 0.6ppt. and 0.3ppt. when compared to fourth quarter last year and continued to maintain their market leading positions.

Master Kong Braised Beef Noodle continued to enhance the brand proposition of "Persisting in Dreams, Supporting You All the Way" by way of the "Light Up 2015, Dream High (點亮2015, 夢想起飛)" New Year marketing campaign (cooperation with Dragon TV's "Chinese New Year Flavours (中國年味)" programme, Dream Sky Lantern (夢想天燈) MV promotion, New Year special promotion) and cooperation in the content of Shenzhen Satellite TV's "Bai Lao Hui (百佬匯)" entrepreneurship motivational programme. Master Kong's Pickled Mustard series launched the "Win Prizes by Boiling Noodle for Four Minutes (泡麵四分鐘, 碼上有獎)" activity to constantly bring surprise to consumers and continue to seize market share with a continued increase in its market share.





During the period, Master Kong broadened the market domain of innovative instant noodle product offerings and launched high-end innovative products under the new brands of “Zhen Liao Duo (珍料多)” and “Tang Da Shi (湯大師)”. “Fresh Banquet” launched new flavours “Japanese-style Noodle with Barbecued Pork and Pork Bone and “Sichuan-style Spicy Beef Noodle” to satisfy the diversified and high-end needs of the consumer. In addition, to meet the consumer trend, it developed the “Pork Bone Noodle Series” (noodle with seafood and pork bone and noodle with pickled vegetable and pork bone) in East China and Shanghai and developed the “Assorted Noodle Series” (noodle with assorted seafood and assorted port bone noodle) in South China and integrated “Eating Missions will be Accomplished (食命必達) (2)” in regional brands (Youpo spicy sour soup noodle (油潑辣子酸湯麵)、gravy noodle with tomato and egg (番茄雞蛋打鹵麵), crisp bamboo shoots and shredded meat (鮮脆雪筍肉絲), brittle kelp and beef noodle (脆海帶香鍋) etc). Through active interaction with consumers through videos and online platforms, it effectively enhanced brand recognition and favourability with good consumer responses.

According to the latest market share information of AC Nielsen, the Group’s products continued to maintain the top ranking in the market share of mid-end noodle. In particular, “Jin Shuang” continued to communicate the core benefit of “fine quality noodle and became the first brand of mid-end noodle by continuously expanding penetration.

Snack noodle continued to engage in active operations. “Xiang Bao Cui” launched new flavours to meet consumer needs. The Prestige Pack expanded sales in core urban areas nationwide and seized the RMB1 snack noodle market share. “Cui Xuan Feng” and “Crispy Fatty” constantly developed five connected bags and “Cui Xuan Feng+string bean” to continually lead the innovative snack noodle market.

Being confronted with the downturn of the economy and prudence in consumption, the Group tended to be prudent and conservative in investment and continued to implement leverage, refine business manpower, use e-tools to enhance execution power, implement end-user service and improve efficiency.

In production management, the mechanism of production determined by sales forecast was implemented to enhance the effectiveness of coordination of production and sales. Continuous efforts were made to optimize the procedure and reduce costs in an effort to improve the gross profit of products. Active efforts were made in developing and introducing production technology for innovative product categories so as to make preparations for the successful launch of new products. The Group’s COE (Center of Excellence) benchmarking management was promoted with the sharing of resources. The new second generation plant was completed and put into operation. KPI/DPI management was continuously implemented to provide consumers with products of higher quality. Food safety inspection commenced on a full scale. Source management was strengthened. Corporate image and industry image was enhanced, ensuring safe quality for consumers.

Instant Food Business

According to the data of AC Nielsen, the overall cracker market continued to slow down in the first quarter of 2015. Sales volume of the overall cracker market declined by 1.5% on a year-on-year basis and sales volume of sandwich crackers declined by 0.3%.

In the first quarter of 2015, the sales of the group’s instant food business was US\$37.537 million, dropped by 29.44% when compared to same period last year, representing 1.62% of the Group’s total turnover. During the period, the gross profit margin was affected by a decline both in sales of the overall cracker market and the Group’s core cracker business, and the low equipment utilization rate, as a results, the gross profit margin of the instant food business dropped by 1.44ppt. to 35.08% as compared to the same period last year. During the period, although we have severely controlled the selling and administrative expenses, the instant food business still recorded a loss of US\$5.045 million as a result of the recognition of the loss from the new instant food business.

According to the latest retail survey data by AC Nielsen, based on sales value, in the first quarter 2015, market share for Master Kong’s egg rolls was 19.4%, ranking No.1 in the market. While the market share of the Group’s sandwich crackers was 11.8%, ranking No.2 in the market.





During the period, the cakes and crackers business returned to core brand operations and made use of the beginning of a school semester and the 3+2 brand festival to reinforce communication and promotion by targeting the core young consumer groups of the 3+2 brand. Muffin cakes continued to expand penetration and the display of modern channels in tier 2 and 3 cities. Master Kong's egg rolls strengthened the sales of gift packs during the New Year and at the same time strictly controlled the gift pack inventory of distributors to prevent the return of gift packs after the New Year and improve the business organization, adjust the manpower and reduce department costs. To accommodate the rapid development of e-commerce, staff members have been designated to be responsible for increasing the sales of e-commerce operators.

Master Kong's 3+2 brand conducted in-depth cooperation with No.1 Store (一號店) to organize the "3 2 1 Let's party! (3 2 1 開趴啦!)" themed event during the brand festival of March. During the event, word-of-mouth publicity through Weixin and advertisements at the entrance of No.1 Store were used to expand event promotion, enhance brand popularity and attract buying. For Master Kong's muffin cakes, the "wonderful way of eating, love to share" event was launched on a full scale and new media technology was applied in conducting online lucky draws, playing games, gaining bonus points and winning fine gifts. Besides, multidimensional activities such as offline promotion bazaar were organized to contact consumers to enhance brand preference. Meanwhile, the Group cooperated with Teddy Bear Collection to launch the teddy bear version New Year gift pack to seize the market during the Spring Festival. Master Kong's egg rolls launched limited edition gift packs specially offered in the Year of the Sheep, which not only satisfied the gifting needs of consumers but also enhanced the awareness of consumers towards egg rolls being a "genuine gifting grade casual snack".

In the potato made leisure food business, the focus for the first quarter was on the core product, Calbee potato. The image of One Piece was used for endorsement to vigorously publicize DNA, the "popular commodity in Taiwan, Hong Kong and Japan" (台港日人氣商品). Offline promotion was conducted with the Group's brands through the joint distribution of samples at various convenience stores. Meanwhile, special channels such as cinemas and KTV were vigorously developed and package and Valentine's Day themed activities were implemented at various cinemas and Tianjin KTV. Interactive promotion was conducted through online Weibo and Weixin combined with the word of mouth of the One Piece theme. Themed promotion was carried out through cooperation with affiliated companies on the platforms of various e-commerce operators to increase brand recognition and exposure.

In addition, new products had been launched in the market in strategic cooperation with the new business and put into production in succession. The "Cool Life" mint candy business put its focus on East China. The emphasis for the first quarter was on the launch and delivery of goods and the first wave of promotion. Launch for important convenience store customer systems and launch and distribution for more than 10,000 stores were completed as planned with a focus on the investment efficiency. Key customers were selected for the accurate delivery of the cash desk display plan. In convenience store systems which had completed launch, the percentage of product categories increased rapidly through themed promotional activities. The milk powder business focused on the Yangtze Rivers Delta, the Southeast coast and key cities through innovative operational ideas and the outlet cooperation model. Close partnership was established by combining with flexible forms such as nursery seminars and mom classroom and outlets (開店). The food accompaniment business focused on the sale of meat floss gift packs in the first quarter. Through strategic cooperation with e-commerce platforms, the communication platform under the "Wei Fu Ren (味芙人)" brand was constructed and active efforts were made to plan for the other food accompaniment products' launch plans. For the meat product business, priority was given to entering into strategic partnership with international renowned catering chain groups. In the second quarter, progress in cooperation with major customers will continue to be driven and full efforts will be devoted to expansion into the large-scale catering chain business.

In the future, the instant food business will refocus on the expansion of cake and cracker products and the optimization of the supply chain of the new business. As regard to products, innovation of products will be enhanced with its focus on the upgrade of core products to cater for the new consumption trend, which in turn will facilitate the recovery of results. As for marketing, convenience stores and e-commerce channels are to be strengthened for their operation and distributorship will be leveraged effectively. In respect of the supply chain, production process will be automated with manpower saving to reduce production costs and improve cost competitiveness. As regard to management, business segments will strengthen cooperation and information sharing among them while seeking supplementary external resources, with an aim to integrate resources and achieve synergy effect.





BEVERAGE BUSINESS

According to AC Nielsen data, sales volume of the beverage industry in China continued to grow at a slower rate in the first quarter of 2015, increasing by 1.7% year-on-year only, lower than the growth rate at 6.6% in the first quarter of 2014. Impact of factors, such as economic downturn and unstable weather conditions, resulted in lower than expected growth in consumption, and the operating environment was full of challenges.

In the first quarter of 2015, the turnover of the beverage business of the Group was US\$1,260,253 million, dropped by 18.92% year-on-year, representing 54.29% of the Group's total turnover. The sales decline mainly due to the higher sales basis from RTD tea and bottled water in the first quarter last year and the current conservative consumption. During the period, prices of major raw material such as PET resin and sugar declined year-on-year, together with rationalization in production processes, the gross profit margin increased by 0.44ppt. year-on-year to 32.52%. 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. The amount of profit from the beverage business attributable to owners of the Company was US\$20.029 million, year-on year decreased by 49.15%.

According to the latest survey data in March 2015 by AC Nielsen, it showed that based on sales volume, the overall market share of the Group's RTD tea products in the first quarter was 53.9%, increased 2.6ppt. year-on-year and ranking No. 1 in the market. Market share of sales in the milk tea market was 21.9%. The Group's bottled water's market share was 17.6%, ranking No. 2 in the market. By leveraging on the fruit juice brands under Master Kong (Master Kong juice, Fresh Daily C, New Taste for Traditional Drink, Crystal Sugar Series and Traditional Fruit Mix) and Pepsi's Tropicana, the market share in the overall juice drink market was 18.6%, ranking No. 2 in the market. Meanwhile, according to Canadean's latest data, based on sales volume in the first quarter, the market share of Pepsi Cola drinks accounted for 48.2% in the market. It has been the No.1 brand in the cola drink market of China since 2005. In the juice favor CSD market, Mirinda gained 33.0% market share, No.1 brand in the market. Pepsi non-carbonated drinks went through product innovation, channel innovation and permeation, continued to expand its brand asset.

At the point for China to change towards market economy, the beverage business of Tingyi maintained a healthy sales model in line with the healthy and diversified market consumption trends, with upgrade of existing products to promote stylish, healthy and nutritious drinking ideas and development of various packages to fulfil consumers' beverage needs in all scenarios.

In 2015, through the internet and digital marketing model as well as online and offline consumer interaction, consumers were targeted more precisely and reached. The business carried out festival integrated marketing activities with the launch of themed micro-movie "Family Spring Festival Flavor with You (加你家年味)" and online events, giving surprises to customers which passed the idea of Master Kong + Chinese spring festival flavor to people while expanding the consumption market of household drinks.

The business captured the season when a new school term begins through the iced tea of Tingyi under the slogan of "Really Icy for Enough Fun (冰力十足夠痛快)" and the green tea under "Green Health for Good Mood (綠動健康好心情)", which linked brands with healthy exercises to call for young consumer group to join such brand campaign. The jasmine tea series incorporated the fashion trend of romantic moves to highlight the brand's romance. The sugar-free tea series of the original tea shop focused on original flavor of tea as it were infused just now, enjoying popularity among consumers, and discovered a winter hot tea drinks market with hot counter display. In addition to the winter hot drinks, the typical milk tea also launched gift box series to capture the market of spring festival, for the first time, which gained wide acceptance among consumers and will expand to other festival seasons in future.

The traditional Chinese fruit juices, Light Fruit Mix (輕養果薈) series, transmit our brand idea of "Light for Every Moment (輕養每一刻)" with focus on the publicizing of product efficacy, and express fashion and nutritious concept of the brand through using new shape and design of bottles. Red pomegranate and cranberry new taste drinks under the western fruit juices category were launched to expand the diversity of products.





Youyue brand, with the theme of the year “Drops of quality water to please people’s hearts (點點滴滴優水悅人心)”, which is coupled with Mother Water Cellar charity campaign (母親水窖公益活動) and national healthy running events, devotes to create a brand image of healthy charity. The natural mineral water flowing from its source in Changbai Mountain can continually meet high-end consuming demands, more production bases at quality water sources will be explored in future to satisfy more extensive needs in the consumer market.

For carbonated drinks, the promotional activities of PepsiCo, “Bring home ‘la’ (把樂帶回家)” and of Mirinda, “Tickets at-the-same-journey (同程有票)” in the first quarter, were warmly received by young people. For non-carbonated beverages, brand assets were expanded continuously through product innovation, network innovation and penetration. Gatorade is positioned as a special sports drink with focus on key districts targeting channel operation of mainly school sports facilities, aiming for capturing the share of sports facilities and increasing the brand’s influence in sports population. Lipton launched a brand new product Lipton British Fruit Tea, and brought British tea fashion keeping pace with the times to young consumers with such differentiated tea drink. Tropicana formulated “Enjoy Tropicana, Good Luck (純果樂享·大吉大利)” theme for new year and captured the market of festivals leveraging the opportunities for consumers tended to buy big packing fruit juice drinks during spring and other festivals, driving sales volume in the first quarter. Aquafina Pure Water increased the overall quality of its products in the first quarter and based on which, adjusted pricing strategies to generate more profits to networks at different levels. Meantime, by taking advantage of numerous production facilities established by Master Kong, we fully explored the synergy effect to reduce costs with the advantages of Master Kong-Pepsi alliance, as thus, we can meet various demands of network customers in a timely manner and build and enhance our core competitiveness.

Master Kong-Pepsi alliance continued to enjoy synergy effect in brand promotion, network, supply chain, production and purchasing. Master Kong and Pepsi, as strategic partners, will continue to plan unique and influential marketing campaigns for Shanghai Disneyland Park, which are expected to allow global consumers to witness Chinese tea cultures in Shanghai Disneyland Park, thereby promoting the tea cultures to the world.

Against the economic downturn/market competition, we will continue to launch new products (stipulating SOP for new products), formulate management for products and items which are marketable in shopping districts/must be sold through network, implement the penetration and display of products and promote interaction between sales and business. Master Kong-Pepsi alliance will be enhanced (with respect to customer/refrigerator/supply chain, etc.) to increase synergy effect and promote ECC system for improving management ability. We will carry out salary and welfare consolidation between Master Kong and Pepsi and retirement projects, strengthen training and implement visiting accompanied with supervisors. Cross generation selecting and breeding operation will be initiated to increase organization capacity and implement end user services, with the purposes of capturing market shares.

In production management, we will promote the pre-sale and fixed quota system to increase the accuracy of estimates and pre-scheduling. Process and workmanship will be optimized to increase production efficiency and gross profits. We will introduce new production technologies for the research and development of new products to prepare for the launch and marketing of new products. The management system will be improved. Pepsi Drink has completed the launch of ECC for some companies in the first quarter, enabling more accurate and rapid information for decision. In food safety control, we will continue to enhance management on supplier tracing system and carry out food safety assessment on the source materials from the upstream of suppliers, for the sake of providing customers with more reliable and safe products.

Labor costs will increase as the Chinese economic structure changes and there is a more urgent demand for lean organization. Management work will be input to information technology system to simplify operation process through digital management. We will enhance the work of business intelligence, promote core businesses, cultivate in-house talents and innovate the production process, so as to increase service efficiency and always provide high quality, healthy, tasty and value-added drinks.





FINANCING

The Group continued to maintain a stable and healthy financial structure for working capital use through effective control of cash and bank balances, trade receivables, trade payables and inventories. As at 31 March 2015, the Group's cash and bank deposits totaled US\$1,940.613 million, an increase of US\$757.510 million from 31 December 2014. In addition, the Group's total assets and total liabilities amounted to approximately US\$10,000.011 million and US\$5,768.814 million respectively. This showed increases in US\$793.954 million and US\$658.421 million respectively compared to 31 December 2014. The debt ratio increased by 2.18ppt. to 57.69% compared to 31 December 2014.

As at 31 March 2015, the Group's total borrowings decreased by US\$17.060 million to US\$2,611.694 million. The borrowings were mainly used for acquisition of properties for the Group's Shanghai operation center and production facilities and general working capital. The Group's proportion of the total borrowings denominated in foreign currencies and Renminbi were 84% and 16% 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. In addition, the Group's transactions are mainly denominated in Renminbi. During the period, the depreciation in Renminbi against US dollar by 0.05% brought an exchange loss of US\$8.160 million. The exchange loss of US\$6.362 million and US\$1.798 million has been included in the income statement and other comprehensive loss respectively.

Financial Ratio

	As at 31 March 2015	As at 31 December 2014
Finished goods turnover	11.26 Days	11.73 Days
Trade receivables turnover	9.39 Days	8.89 Days
Current ratio	0.73 Times	0.64 Times
Debt ratio (Total liabilities to total assets)	57.69%	55.51%
Gearing ratio (Net debt to equity attributable to owners of the Company)	0.21 Times	0.48 Times

HUMAN RESOURCES

As at 31 March 2015, the Group had 76,390 employees (79,003 employees at 31 December 2014). 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.

We continued to improve the recruitment and fostering system for talent reserve by enlarging recruitment channels, planning and implementing talent development approaches and formulating successor echelon plans and talent development plans, which are designated to promote the development platform for senior management talent reserve. We pay much attention to the cultivation, development and reserve of talents as we consider them as the footstone for the development of our business and one of the core competitiveness of Master Kong to achieve rapid growth.





CORPORATE SOCIAL RESPONSIBILITY

Master Kong has consistently provided its dedicated support for the guiding principle of total quality control “from farm to table” and strict compliance with the consumer food safety principles. Master Kong invested heavily to control food safety from the source and closely monitored the upstream supply chain through tight management of the raw materials and suppliers. In addition, upholding the sustainable operation philosophy of “obtaining from the society, using on the enterprise and repaying the society”, Master Kong has allocated resources to social charitable work while refining the production efficiency and constantly implementing energy conservation and discharge reduction. The operation philosophy of “integrity, pragmatism, innovation” has established Master Kong’s corporate culture of caring for public welfare and emphasizing talents cultivation. Furthermore, “Master Kong Creative Challenges”, which has been held for five consecutive years, were held in China, Taiwan and Hong Kong, demonstrating Master Kong’s support for university students to participate in community activities with actual actions and appealing to more than 170 million person-times for jointly building a better future. During China’s Charity Days which held by media on 22 January 2015, “Master Kong Creative Challenges” was granted “2014 Best Charity Project Award (2014年度最佳公益專案獎)” for its excellent project planning and implementing, extensive media reports and good social responses.

On 22 January 2015, Master Kong held a grand opening ceremony in Shanghai to release a spring festival celebrating film “Family Spring Festival Flavour with You (加你家年味)”. The film was a series of spring festival celebrating movie produced jointly by Tingyi drinks and a famous Chinese emerging director and starred by a pop star. The movie was a modern reinterpretation of traditional spring festival cultures in a hope for awaking Chinese youngsters’ sweet memories on spring festivals and their attention to traditional spring festival customs. Upon the forthcoming Chinese new year in 2015, Master Kong called for the majority of young men to join “Family Spring Festival Flavour with You (加你家年味)” campaign conscientiously. Early at the end of 2014, Tingyi drinks has sponsored “Family Spring Festival Flavour with You (加你家年味)” left-behind children care event, jointly with China Children and Teenagers Fund (中國兒童少年基金會) and Sohu. Such project will be carried on as an important part of Master Kong’s charity causes on an on-going basis, which covers about 60 million left-behind children in China. At the opening ceremony, Tingyi drinks announced that, in addition to making several new year wishes of “2015 left-behind children” come true and achieving the reunion of left-behind children with their parents during spring festivals, it also called for its 30,000 staff to write on greeting cards and send them to those left-behind children.

AWARDS AND HONORS

In January 2015, PRC Food.com (中國食品安全網) and Fsmall.com (食安商城) jointly organized the selection of food safety enterprises participated by over 20 medias and enrolled with more than 2,500 enterprises. After being voted by 94,998 net citizens in 16 days, Master Kong was awarded “2014 Best Ten Food Safety Enterprises Award (2014年度十佳食品安全企業大獎)”. On 15 January, at the Seventh Chinese Corporate Social Responsibility Summit (第七屆中國企業社會責任峰會) hosted by Xinhuanet.com (新華網), Pepsi received “2014 Chinese Corporate Social Responsibility Outstanding Enterprise Award (2014年度中國企業社會責任傑出企業獎)” for its great achievements in promoting sustainable development of the environment. Meanwhile, two categories including instant noodle and tea drinks of Master Kong, was awarded Top Brand of C-BPI in 2015 China Brand Power Index (C-BPI) published by Ministry of Industry and Information Technology for five consecutive years.





PROSPECTS

It is expected the operating environment in the second quarter will still bring enormous challenges. Facing the sluggish economy and the rapid change in the consumer market, the overall operation of the Group will sustain a steady operation, exercise sound control over costs and capital expenditures, and innovate new segments/products. At the same time we have to strengthen our adaptability so as to improve team skills, tackle enormous challenges and create synergies, which will bring sustainable growth in the results of the Group. We will leverage on the solid and rich infrastructure, well-established sales network and favourable market advantages to enhance brand value continuously, invest in product innovation capabilities to enrich product items and categories, further develop sales channels to increase penetration ability, maintain communication with consumers to strengthen the system on rapid response to market to stimulate per capita consumption in order to increase growth of sales, and in turn enhance the market leading position of the Group in all product categories. Meanwhile, production efficiency will be refined, quality management will be strictly controlled, food safety will be ensured, organization structure and training for talents will be strengthened in order to enhance the overall operation efficiency. Strong and sound financial conditions will be maintained to be well-prepared for capturing future business expansion opportunities.

With respect to the food business, we will focus on the innovation in the type of instant noodles and launch high-end products. At the same time we will consolidate the operation with modern channels and electricity appliance vendors' channels. With respect to the instant food business, we will focus on the operation of core products and will proactively research and develop new products. Through the innovation of products and brands, we will provide more exuberant, safe and delicious food to the consumers. As to the beverage business, we will continue to consolidate the market share of leading products, whilst the innovation of new segments and products will speed up. Services with terminals will be optimized and the operation skills with the new channels will enhance. Emphasis will be placed on enhancing the synergies, optimizing the channel structure and perfecting the management system of supply chain for Pepsi beverages.

CORPORATE GOVERNANCE

We have, throughout the period ended 31 March 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

There were no purchases, sales or redemptions of the Company's shares by the Company or any of its subsidiaries during the period.





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
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
17 April 2014	12,718,500	17 April 2019 to 16 April 2024	\$22.38	1,486,000

For the period of three months ended 31 March 2015, 320,000 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\$17.51.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE OFFICER IN SHARES

As at 31 March 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		Percentage of the issued share capital	Number of underlying shares held under share options (Note 2)
	Personal interests	Corporate interests (Note 1)		
Directors				
Wei Ing-Chou	13,242,000	1,854,827,866	33.58%	13,524,000
Wei Hong-Ming	—	1,854,827,866	33.10%	—
Chief Executive Officer				
James Chun-Hsien Wei	—	—	—	2,052,000

(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 Corp., and 6.482% by China Foods Investment Corp., a subsidiary of Asahi Group Holdings, Ltd., and as to the remaining 0.683% by unrelated third parties. Ho Te and Rich Cheer were owned as to 100% by Profit Surplus Holdings Limited (“Profit Surplus”). Profit Surplus is the trustee of a unit trust, which is in turn held by four discretionary trusts in equal proportions. HSBC International Trustee Limited is the trustee of each of the above four discretionary trusts, the settlors and discretionary objects of the above four discretionary trusts are as follows:
 - Wei Chang Lu-Yun is the settlor of one of the above discretionary trusts with Wei Chang Lu-Yun’s family members (including Wei Hong-Ming) as discretionary objects;
 - Lin Li-Mien is the settlor of one of the above discretionary trusts with Lin Li-Mien 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 13,524,000 share options (2,000,000 share options are exercisable for the period from 21 March 2013 to 20 March 2018 at an exercise price of HK\$9.28 per share, 2,816,000 share options are exercisable for the period from 23 April 2014 to 22 April 2019 at an exercise price of HK\$9.38 per share and 2,200,000 share options are exercisable for the period from 1 April 2015 to 31 March 2020 at an exercise price of HK\$18.57 per share. 2,264,000 share options are exercisable for the period from 12 April 2016 to 11 April 2021 at an exercise price of HK\$19.96 per share, 1,368,000 share options are exercisable for the period from 26 April 2017 to 25 April 2022 at an exercise price of HK\$20.54 per share, 1,390,000 share options are exercisable for the period from 27 May 2018 to 26 May 2023 at an exercise price of HK\$20.16 per share, and 1,486,000 share options are exercisable for the period from 17 April 2019 to 16 April 2024 at an exercise price of HK\$22.38) under the share option scheme of the Company passed by an extraordinary general meeting of the Company held on 20 March 2008. Wei Chang Lu-Yun, being the spouse of Wei Ing-Chou, is also deemed to be interested in the shares and the underlying shares held by Wei Ing-Chou.

James Chun-Hsien Wei holds 2,052,000 share options (904,000 share options are exercisable for the period from 27 May 2018 to 26 May 2023 at an exercise price of HK\$20.16 per share, and 1,148,000 share options are exercisable for the period from 17 April 2019 to 16 April 2024 at an exercise price of HK\$22.38 per share) 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 31 March 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 31 March 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 31 March 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 be 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	1,881,593,866	33.58
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 31 March 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 and Mr. Wei Hong-Ming 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, 26 May 2015

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

* For identification purpose only

