康師傅控股

TINGYI (CAYMAN ISLANDS) HOLDING CORP.

康 師 傅 控 股 有 限 公 司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0322)

THIRD QUARTERLY RESULTS FOR THE NINTH MONTHS ENDED 30TH SEPTEMBER 2018

SUMMARY

		For the three months ended 30 September			For the nine months ended 30 September		
	RMB'000	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
•	Revenue	18,862,587	19,686,598	↓ 4.19%	49,858,731	48,254,320	↑ 3.32%
•	Gross margin	33.37%	32.50%	↑ 0.87 ppt.	32.04%	30.49%	↑ 1.55 ppt.
•	Gross profit of the Group	6,294,409	6,397,189	↓ 1.61%	15,974,817	14,710,682	↑ 8.59%
•	EBITDA	3,441,039	3,418,807	↑ 0.65%	7,181,612	6,762,208	↑ 6.20%
•	*EBITDA	3,488,497	3,418,807	↑ 2.04%	7,389,243	6,762,208	↑ 9.27%
•	Profit for the period	1,905,681	1,883,326	↑ 1.19%	3,393,975	2,763,476	↑ 22.82%
•	Profit attributable to owners of the Company	1,554,067	1,238,113	↑ 25.52%	2,860,545	1,938,317	↑ 47.58%
•	Earnings per share (RMB cents)						
	Basic	27.66	22.09	↑ 5.57 cents	50.93	34.58	↑ 16.35 cents
	Diluted	27.61	22.07	↑ 5.54 cents	50.82	34.57	↑ 16.25 cents

As at 30 September 2018, cash and cash equivalents was RMB12,903.961 million, representing an increase of RMB2,619.072 million when compared to 31 December 2017. Gearing ratio was -16.44%.

* EBITDA: Excluding the effects of the income of activation on assets and the provision of impairment losses on machinery and equipment.

2018 THIRD QUARTERLY RESULTS

The Board (the "Board") of Directors (the "Directors") of Tingyi (Cayman Islands) Holding Corp. (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the nine months ended 30 September 2018 together with the comparative figures for the corresponding period in 2017. These unaudited condensed consolidated third quarterly financial statements have been reviewed by the audit committee of the Company (the "Audit Committee").

CONDENSED CONSOLIDATED INCOME STATEMENT

For the Three Months and Nine Months Ended 30 September 2018

	Note	July to September 2018 (Unaudited) RMB'000	January to September 2018 (Unaudited) RMB'000	July to September 2017 (Unaudited) RMB'000	January to September 2017 (Unaudited) RMB'000
Revenue	2	18,862,587	49,858,731	19,686,598	48,254,320
Cost of sales		(12,568,178)	(33,883,914)	(13,289,409)	(33,543,638)
Gross Profit		6,294,409	15,974,817	6,397,189	14,710,682
Other revenue		89,338	253,264	71,455	188,756
Other net income (expenses)		44,906	678,828	158,372	452,534
Distribution costs		(3,035,626)	(9,202,740)	(3,230,231)	(8,888,380)
Administrative expenses		(543,974)	(1,783,184)	(644,253)	(1,705,658)
Other operating expenses		(197,870)	(1,146,437)	(216,874)	(701,588)
Finance costs	5	(105,525)	(328,040)	(90,143)	(360,513)
Share of results of associates and joint ventures		61,630	157,331	52,427	147,129
Profit before taxation	5	2,607,288	4,603,839	2,497,942	3,842,962
Taxation	6	(701,607)	(1,209,864)	(614,616)	(1,079,486)
Profit for the period		1,905,681	3,393,975	1,883,326	2,763,476
Profit attributable to:					
Owners of the Company		1,554,067	2,860,545	1,238,113	1,938,317
Non-controlling interests		351,614	533,430	645,213	825,159
Profit for the period		1,905,681	3,393,975	1,883,326	2,763,476
Earnings per share	7				
Basic		RMB 27.66 cents	RMB 50.93 cents	RMB 22.09 cents	RMB 34.58 cents
Diluted		RMB 27.61 cents	RMB 50.82 cents	RMB 22.07 cents	RMB 34.57 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Three Months and Nine Months Ended 30 September 2018

	July to September 2018 *(Unaudited)* *RMB'000*	January to September 2018 *(Unaudited)* *RMB'000*	July to September 2017 *(Unaudited)* *RMB'000*	January to September 2017 *(Unaudited)* *RMB'000*
Profit for the period	1,905,681	3,393,975	1,883,326	2,763,476
Other comprehensive (loss) income				
Items that are not reclassified to profit or loss:				
Fair value change in financial assets at fair value through other comprehensive income	–	(12,397)	–	–
Items that are or may be reclassified subsequently to profit or loss:				
Exchange differences on consolidation	(277,237)	(406,757)	62,001	174,711
Fair value changes in available-for-sale financial assets	–	–	12,579	18,187
Reclassification adjustments relating to available-for-sale financial assets disposed of during the period	–	–	(969)	(37,047)
Other comprehensive (loss) income for the period	(277,237)	(419,154)	73,611	155,851
Total comprehensive income for the period	1,628,444	2,974,821	1,956,937	2,919,327
Total comprehensive income attributable to:				
Owners of the Company	1,297,091	2,474,014	1,306,511	2,090,893
Non-controlling interests	331,353	500,807	650,426	828,434
	1,628,444	2,974,821	1,956,937	2,919,327

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2018

	Note	At 30 September 2018 (Unaudited) *RMB'000*	At 31 December 2017 (Audited) *RMB'000*
ASSETS			
Non-current assets			
Investment properties		1,115,000	1,106,000
Property, plant and equipment		25,428,200	28,014,779
Prepaid lease payments		3,587,929	3,730,767
Intangible asset		188,784	162,936
Goodwill		97,910	97,910
Interest in associates		134,230	120,568
Interest in joint ventures		786,438	660,691
Financial assets at fair value through profit or loss		470,459	–
Financial assets at fair value through other comprehensive income		123,320	–
Available-for-sale financial assets		–	638,526
Other non-current assets		317,964	317,964
Deferred tax assets		485,287	308,010
		32,735,521	35,158,151
Current assets			
Inventories		2,467,798	2,396,941
Trade receivables	9	2,293,187	1,636,385
Tax recoverable		–	23,393
Prepayments and other receivables		3,621,208	4,599,397
Pledged bank deposits		50,604	58,312
Bank balances and cash		12,853,357	10,226,577
		21,286,154	18,941,005
Total assets		54,021,675	54,099,156

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	Note	At 30 September 2018 (Unaudited) *RMB'000*	At 31 December 2017 (Audited) *RMB'000*
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital		235,198	235,053
Share premium		662,373	611,736
Reserves		19,141,480	17,565,290
Total capital and reserves attributable to owners of the Company		20,039,051	18,412,079
Non-controlling interests		4,257,989	3,881,965
Total equity		24,297,040	22,294,044
Non-current liabilities			
Financial liabilities at fair value through profit or loss		—	5,258
Long-term interest-bearing borrowings		6,535,595	6,608,953
Other non-current liabilities		—	40,000
Employee benefit obligations		81,093	101,226
Deferred tax liabilities		990,697	1,070,026
		7,607,385	7,825,463
Current liabilities			
Trade payables	10	8,781,701	7,119,423
Other payables and deposits received		9,065,128	7,417,032
Current portion of interest-bearing borrowings		3,073,397	7,775,320
Financial liabilities at fair value through profit or loss		5,258	37,448
Advance payments from customers		583,458	1,284,590
Taxation		608,308	345,836
		22,117,250	23,979,649
Total liabilities		29,724,635	31,805,112
Total equity and liabilities		54,021,675	54,099,156
Net current assets (liabilities)		(831,096)	(5,038,644)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The Directors are responsible for the preparation of the Group's unaudited condensed consolidated third quarterly financial statements. These condensed consolidated third quarterly financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These condensed consolidated third quarterly financial statements should be read in conjunction with the 2017 annual financial statements. The accounting policies adopted in preparing the condensed consolidated third quarterly financial statements for the nine months ended 30 September 2018 are consistent with those in the preparation of the Group's annual financial statements for the year ended 31 December 2017, except for the adoption of the new/revised standard of Hong Kong Financial Reporting Standards ("HKFRSs") which are relevant to the Group's operation and are effective for the Group's financial year beginning on 1 January 2018 as described below.

Annual improvements to HKFRSs	2014–2016 Cycle: HKFRS 1 and HKAS 28
Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The adoption of these amendments to HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior years except for HKFRS 9 and HKFRS 15.

HKFRS 9: Financial instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt investments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "Financial Instruments: Recognition and Measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

1. **Basis of preparation and accounting policies** *(continued)*

On 1 January 2018, the Directors of the Company has assessed which business models apply to the financial assets and liabilities held by the Group at the date of initial application of HKFRS 9 and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

		Measurement category		**Carrying amount**	
	Note	**Original (HKAS 39)**	**New (HKFRS 9)**	**Original** *RMB'000*	**New** *RMB'000*
Financial assets					
Investment funds	(a)	Available for sale, at fair value	Fair value through profit or loss ("FVPL")	504,359	504,359
Equity securities		Available for sale, at fair value	Fair value through other comprehensive income ("FVOCI")	110,722	110,722
Equity securities		Available for sale, at cost	FVOCI	21,971	21,971
Equity securities		Available for sale, at cost	FVPL	1,474	1,474
Trade receivables	(b)	Amortised cost	Amortised cost	1,636,385	1,636,385
Prepayment and other receivables	(b)	Amortised cost	Amortised cost	4,599,397	4,599,397
Cash and cash equivalents	(b)	Amortised cost	Amortised cost	10,284,889	10,284,889
Financial liabilities					
Contingent consideration payable		FVPL	FVPL	5,258	5,258
Derivatives not designated as hedging instruments		FVPL	FVPL	37,448	37,448

Note a: *The accumulated investment revaluation reserve of RMB148,150,000 at 1 January 2018 relevant to these investments have been reclassified to retained profits.*

Note b: *Impairment based on expected credit loss model on these financial assets has no significant financial impacts.*

HKFRS 15: Revenue from Contracts with Customers

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The adoption of HKFRS 15 did not have any significant impact on recognition of revenue. However, the application of HKFRS 15 results in the additional disclosures in note 2 to the condensed consolidated financial statements.

2. Revenue

The Group has recognised the following amounts relating to revenue in profit or loss:

	Note	January to September 2018 (Unaudited) *RMB'000*	January to September 2017 (Unaudited) *RMB'000*
Revenue from contracts with customers	2(a)	49,801,519	48,203,465
Revenue from other sources - Rental income from investment properties		57,212	50,855
		49,858,731	48,254,320

2(a). Disaggregation of revenue

	For the Nine Months ended 30 September 2018				
	Instant noodles (Unaudited) *RMB'000*	**Beverages (Unaudited)** *RMB'000*	**Instant food (Unaudited)** *RMB'000*	**Others (Unaudited)** *RMB'000*	**Total (Unaudited)** *RMB'000*
Major products and services					
Sales on instant noodles	17,885,997	–	–	–	17,885,997
Sales on beverages	–	30,896,916	–	–	30,896,916
Sales on bakery	–	–	577,868	–	577,868
Transportation	–	–	–	934,278	934,278
Others	–	–	–	581,055	581,055
	17,885,997	30,896,916	577,868	1,515,333	50,876,114
Less: Elimination	(497)	(1,543)	(270)	(1,072,285)	(1,074,595)
	17,885,500	30,895,373	577,598	443,048	49,801,519
Timing of revenue recognition:					
Products transferred at a point in time	17,885,500	30,895,373	577,598	443,048	49,801,519

	For the Nine Months ended 30 September 2017				
	Instant noodles (Unaudited) *RMB'000*	**Beverages (Unaudited)** *RMB'000*	**Instant food (Unaudited)** *RMB'000*	**Others (Unaudited)** *RMB'000*	**Total (Unaudited)** *RMB'000*
Major products and services					
Sales on instant noodles	16,979,138	–	–	–	16,979,138
Sales on beverages	–	30,105,238	–	–	30,105,238
Sales on bakery	–	–	628,538	–	628,538
Transportation	–	–	–	706,160	706,160
Others	–	–	–	572,178	572,178
	16,979,138	30,105,238	628,538	1,278,338	48,991,252
Less: Elimination	(497)	(1,259)	(259)	(785,772)	(787,787)
	16,978,641	30,103,979	628,279	492,566	48,203,465
Timing of revenue recognition:					
Products transferred at a point in time	16,978,641	30,103,979	628,279	492,566	48,203,465

3. Segment information

Segment results

	For the Nine Months ended 30 September 2018					
	Instant noodles (Unaudited) *RMB'000*	**Beverages (Unaudited)** *RMB'000*	**Instant food (Unaudited)** *RMB'000*	**Others (Unaudited)** *RMB'000*	**Inter-segment elimination (Unaudited)** *RMB'000*	**Total (Unaudited)** *RMB'000*
Revenue						
Revenue from external customers	17,885,500	30,895,373	577,598	443,048	–	49,801,519
Revenue from other sources	–	–	–	57,212	–	57,212
Inter-segment revenue	497	1,543	270	1,147,648	(1,149,958)	–
Segment revenue	17,885,997	30,896,916	577,868	1,647,908	(1,149,958)	49,858,731
Segment results after finance cost	2,024,442	2,145,489	(9,862)	283,289	754	4,444,112
Share of results of associates and joint ventures	695	156,341	295	–	–	157,331
Unallocated income, net	–	–	–	2,396	–	2,396
Profit (loss) before taxation	2,025,137	2,301,830	(9,567)	285,685	754	4,603,839
Taxation	(643,382)	(527,160)	(4,300)	(35,022)	–	(1,209,864)
Profit (loss) for the period	1,381,755	1,774,670	(13,867)	250,663	754	3,393,975

	For the Nine Months ended 30 September 2017					
	Instant noodles (Unaudited) *RMB'000*	**Beverages (Unaudited)** *RMB'000*	**Instant food (Unaudited)** *RMB'000*	**Others (Unaudited)** *RMB'000*	**Inter-segment elimination (Unaudited)** *RMB'000*	**Total (Unaudited)** *RMB'000*
Revenue						
Revenue from external customers	16,978,641	30,103,979	628,279	492,566	–	48,203,465
Revenue from other sources	–	–	–	50,855	–	50,855
Inter-segment revenue	497	1,259	259	860,303	(862,318)	–
Segment revenue	16,979,138	30,105,238	628,538	1,403,724	(862,318)	48,254,320
Segment results after finance cost	1,632,262	2,095,885	(5,357)	(64,009)	9,588	3,668,369
Share of results of associates and joint ventures	–	150,615	(3,486)	–	–	147,129
Unallocated income, net	–	–	–	27,464	–	27,464
Profit (loss) before taxation	1,632,262	2,246,500	(8,843)	(36,545)	9,588	3,842,962
Taxation	(473,789)	(576,969)	(2,069)	(26,659)	–	(1,079,486)
Profit (loss) for the period	1,158,473	1,669,531	(10,912)	(63,204)	9,588	2,763,476

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

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

Segment assets and liabilities

	At 30 September 2018					
	Instant noodles (Unaudited) *RMB'000*	**Beverages (Unaudited)** *RMB'000*	**Instant food (Unaudited)** *RMB'000*	**Others (Unaudited)** *RMB'000*	**Inter-segment elimination (Unaudited)** *RMB'000*	**Total (Unaudited)** *RMB'000*
Segment assets	19,125,908	28,399,015	760,502	4,967,234	(745,431)	52,507,228
Interest in associates	–	134,230	–	–	–	134,230
Interest in joint ventures	883	737,855	47,700	–	–	786,438
Unallocated assets						593,779
Total assets						54,021,675
Segment liabilities	8,156,968	14,876,907	247,739	7,692,894	(1,330,966)	29,643,542
Unallocated liabilities						81,093
Total liabilities						29,724,635

Segment assets include all assets with the exception of interest in associates and joint ventures and unallocated assets which include investment funds and equity securities recognised in financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income. Segment liabilities include all liabilities with the exception of employee benefit obligations.

	At 31 December 2017					
	Instant noodles (Audited) *RMB'000*	**Beverages (Audited)** *RMB'000*	**Instant food (Audited)** *RMB'000*	**Others (Audited)** *RMB'000*	**Inter-segment elimination (Audited)** *RMB'000*	**Total (Audited)** *RMB'000*
Segment assets	19,867,771	28,311,010	886,653	8,267,381	(4,653,444)	52,679,371
Interest in associates	–	119,320	1,248	–	–	120,568
Interest in joint ventures	188	613,027	47,476	–	–	660,691
Unallocated assets						638,526
Total assets						54,099,156
Segment liabilities	8,637,330	15,878,922	357,836	11,896,646	(5,066,848)	31,703,886
Unallocated liabilities						101,226
Total liabilities						31,805,112

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

4. **Seasonality of operations**

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

5. Profit before taxation

This is stated after charging:

	July to September 2018 (Unaudited) *RMB'000*	January to September 2018 (Unaudited) *RMB'000*	July to September 2017 (Unaudited) *RMB'000*	January to September 2017 (Unaudited) *RMB'000*
Finance costs				
Interest on bank and other borrowings wholly repayable within five years	97,307	302,871	80,495	332,248
Interest on bank and other borrowings wholly repayable over five years	8,218	25,169	9,648	28,265
	105,525	328,040	90,143	360,513
Other items				
Depreciation	790,036	2,420,485	876,640	2,672,049
Amortisation	27,528	82,512	25,537	75,440
Impairment loss of property, plant and equipment (included in other operating expense)	47,457	622,706	50,114	123,966

6. Taxation

	July to September 2018 (Unaudited) *RMB'000*	January to September 2018 (Unaudited) *RMB'000*	July to September 2017 (Unaudited) *RMB'000*	January to September 2017 (Unaudited) *RMB'000*
Current tax – the PRC Enterprise income tax				
Current period	504,838	1,177,109	482,413	895,030
Deferred taxation				
Origination and reversal of temporary differences, net	85,629	(148,359)	23,433	24,612
Effect of withholding tax on the distributable earnings of the Group's PRC subsidiaries	111,140	181,114	108,770	159,844
Total tax charge for the period	701,607	1,209,864	614,616	1,079,486

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

Hong Kong Profits Tax has not been provided as the Group's entities had no assessable profit subject to Hong Kong Profits Tax for the nine months ended 30 September 2018 and 2017.

The applicable PRC enterprise income tax for the PRC subsidiaries is at the statutory rate of 25% (2017: 25%).

According to the Tax Relief Notice (Cai Shui [2011] no. 58) on the Grand Development of Western Region jointly issued by the Ministry of Finance, the State Administration of Taxation and China Customs, foreign investment enterprises located in the western region of PRC ("Western Region") with principal revenue of over 70% generated from the encouraged business activities are entitled to a preferential income tax rate of 15% for 10 years from 1 January 2011 to 31 December 2020. Accordingly, certain subsidiaries located in the Western Region are entitled to a preferential rate of 15% (2017: 15%).

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

7. Earnings per share

a) Basic earnings per share

	July to September 2018 (Unaudited)	January to September 2018 (Unaudited)	July to September 2017 (Unaudited)	January to September 2017 (Unaudited)
Profit attributable to ordinary shareholders (RMB'000)	1,554,067	2,860,545	1,238,113	1,938,317
Weighted average number of ordinary shares ('000)	5,617,778	5,617,007	5,605,010	5,604,772
Basic earnings per share (RMB cents)	27.66	50.93	22.09	34.58

b) Diluted earnings per share

	July to September 2018 (Unaudited)	January to September 2018 (Unaudited)	July to September 2017 (Unaudited)	January to September 2017 (Unaudited)
Profit attributable to ordinary shareholders (RMB'000)	1,554,067	2,860,545	1,238,113	1,938,317
Weighted average number of ordinary shares (diluted) ('000)				
Weighted average number of ordinary shares	5,617,778	5,617,007	5,605,010	5,604,772
Effect of the Company's share option scheme	10,909	11,242	4,800	2,863
Weighted average number of ordinary shares for the purpose of calculated diluted earnings per share	5,628,687	5,628,249	5,609,810	5,607,635
Diluted earnings per share (RMB cents)	27.61	50.82	22.07	34.57

8. Dividend

The Board of Directors does not recommend the payment of a third quarterly dividend for the nine months ended 30 September 2018 (2017: nil).

9. **Trade receivables**

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

	At 30 September 2018 (Unaudited) *RMB'000*	At 31 December 2017 (Audited) *RMB'000*
0 - 90 days	2,190,428	1,517,678
Over 90 days	102,759	118,707
	2,293,187	1,636,385

10. **Trade payables**

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

	At 30 September 2018 (Unaudited) *RMB'000*	At 31 December 2017 (Audited) *RMB'000*
0 - 90 days	8,084,180	6,335,339
Over 90 days	697,521	784,084
	8,781,701	7,119,423

11. **Approval of third quarterly financial statements**

The third quarterly financial statements of 2018 were approved by the Board of Directors on 26 November 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Macro and Industry Environment

China's economy stayed generally stable with changes took place in the third quarter of 2018. GDP grew by 6.5% yoy, representing a decrease in growth rate. The income and consumption expenditure of national residents continued to grow steadily, while the growth rate of both rural income and consumption expenditure was higher than that of urban areas. Apart from consumption channel penetration, the consumption structure also continued to upgrade and optimize.

The instant noodle and beverage industry in where the Group operates continued to maintain a growth despite the growth rate was slowed down yoy. The trend of sales channels fragmentation continued, while traditional business continued to be under pressure, and e-commerce in rural area, catering market and new retail channels etc. maintained rapid growth. Surging prices of certain raw materials, significantly fluctuated international financial markets, Sino-US trade frictions and exchange rate changes, etc. still pose challenges for the Group's development.

BUSINESS REVIEW

In the third quarter, under the guidance of the established strategy of "consolidation, innovation and development", the Group continued to undertake product structure adjustment, consolidate the mass consumer market with core products and gradually lay out the high-end markets. For the instant noodle business, the mid-to-low priced noodles are in the process of upgrade, and the high-priced noodles had a temporarily slowed down growth rate. The beverage business was affected by the price adjustment which brought a negative impact on the short to medium term result. Facing the challenging industry environment, the Group continued to promote supply chain reforms, optimizing supply chain layout and capacity allocation through light asset and asset activation, continued optimizing transformation and upgrade, and enhanced future operation efficiency by means of process optimization, IT system and share service centers construction. Meanwhile, for its long-term presence in the China market apart from exploring diversified channeis, the Group strengthened brand building through a number of IP cooperation, sport marketing and cooperation with China's aerospace industry.

In the third quarter of 2018, although the Group's revenue decreased by 4.19% yoy to RMB18.863 billion, profit attributable to owners of the Company increased by 25.52% yoy to RMB 1.554 billion, earnings per share increased by RMB5.57 cents to RMB27.66 cents. During the period, prices from key raw material such as PET resin and paper material maintained at high level, the Group continued to modify product mix, and thanked for price adjustment and product upgrade, the Group's gross margin increased by 0.87 ppt. to 33.37% yoy. Distribution costs represented 16.09% of the revenue for the period and decreased by 0.32 ppt. yoy. EBITDA of the Group increased by 0.65% to RMB3.441 billion yoy.

INSTANT NOODLE BUSINESS

According to the data from Nielsen, in the first three quarters of 2018, overall sales volume increased by 3.3% yoy while sales amount grew by 8.0% yoy in the instant noodle market. During the period, the market shares of Master Kong in terms of sales volume and sales amount were 43.6% and 48.6%, respectively, maintained No.1 position.

In the third quarter of 2018, the Group's revenue from instant noodle business was RMB6.752 billion, which grew by 0.66% yoy, accounting for 35.79% of the total revenue of the Group. During the period, the Group has modified product mix, promoted product upgrade, and thanked for price adjustments in the previous period, gross margin of instant noodles increased by 1.11 ppt. to 32.05%. Benefited from the sales growth, improvement of gross margin and decline on distribution costs, profit attributable to owners of the Company in the overall instant noodle business increased by 14.15% to RMB715 million.

In the third quarter, the Group continued to implement the multi-price product strategy for the instant noodle business. It consolidated the high-price noodle market, laid out the premium noodle market, and created various consumption scenarios to meet the demand of different level of consumers and consumer health requirement while achieving sales growth yoy. During the period, the Group enhanced product categories and brand image through sport marketing such as sponsoring Marathon events, cooperation with the aerospace industry as well as IP cooperation, and continued to lead the sustainable development of the industry. While precisely controlling capital expenditures, the Group optimized asset allocation and production layout and further promoted production line automation.

High-priced Noodles

High-priced noodles consolidated core products and met different consumption scenarios with products of diversified specifications, together with IP cooperation and sport marketing to attract young families and young consumers and achieve sales growth yoy. "Roasted Beef Noodle" also created sport consumption scenarios and enhanced the brand's healthy image through sponsoring of Marathon events, apart from creating family consumption scenarios through media advertising. "Pickled Mustard" continued to promote IP cooperation with "Kung Fu Panda" and recorded sustained growth in sales. Spicy series products such as the "Hot/Stir-fired/Pickled Pepper/Spicy" series seek to rejuvenate the brand image and attract young consumers. " Rattan Pepper Soy Sauce Chicken Noodle", a new product of the Rattan Pepper series, apart from multiple peppers, has sauce package added with scallion oil and oyster sauce to enhance the favor and enrich the taste layers to meet the needs of customers.

Premium Noodles /Innovative Products

We continued to strengthen premium product operation with the premium soup series to adapt to the demand of the premium market for nutrition and health, and attracted middle class and young metropolitan consumers through new products, sport marketing, media marketing and e-commerce cooperation. "Pork Rib", on the basis of online marketing, specially launched a limited-edition e-commerce package to promote sales growth. The new product "Fresh Vegetable Noodle", launched in August, attracted urban consumers and met their demand for health and quality of life.

Mid-end Noodles/Snack Noodles

The mid-end noodles continued the slight upgrade, and the "Jin Shuang Series" met the affordable consumer demand at a moderate price to ensure a leading market share.

The snack noodles, "Xiang Bao Cui", focused on market with price range within RMB1.0, while the new product "Cheese Turkey" launched, which is rich in cheese flavor and tastes sweet and spicy, is favored by young consumers and recorded continuous growth in sales.

BEVERAGE BUSINESS

According to the data from Nielsen, in the first three quarters of 2018, overall sales volume grew by 2.4% while sales amount grew by 4.3% yoy in China beverage industry. In the first three quarters, the ready-to-drink(RTD) tea (including milk tea) of the Group's beverage business accounted for a 47.6% market share in terms of sales volume and continued to secure the top ranking position in the market. The Group's fruit juice brands accounted for a market share of 15.9%, ranking No.2 in the market. Market share for bottled water in the first nine months was 9.3%, ranking No.3 in the market. According to the data from a third party research company, in terms of sales volume, the overall market share of Pepsi carbonated drinks was 32.8% in the first three quarters, ranking No.2 in the market. The market share of Pepsi Cola was 49.2% in the cola carbonated drinks market, ranking No.1 in the market.

In the third quarter of 2018, the overall revenue of the beverage business was RMB11.749 billion, decreased by 6.52% yoy, accounting for 62.29% of the Group's total revenue. During the period, gross margin of the beverage business increased by 0.68 ppt. to 34.13% yoy, mainly due to product upgrade and price adjustments on certain products. Benefited from gross margin improvement during the period, the profit attributable to shareholders of the beverage business in the third quarter of 2018 was RMB 889 million, grew by 28.50% yoy.

The beverage business continued to promote product structure adjustments with focus on core product categories and products to meet the mass consumption demand. During the period, the beverage business actively expanded diversified channels by driving the development of indoor channels apart from consolidating outdoor channels. It boosted brand building through IP cooperation, etc., to set the layout of festival sales and sales of winter hot drinks for the fourth quarter. The beverage business also continued to push forward asset activation and light assets, optimized the supply chain layout, and integrated supply chain resources to enhance synergies.

RTD Tea

RTD tea consolidated the mass consumption market with core products, met different consumption scenarios with products of different specifications, and continued to attract young consumers and household consumer groups through IP cooperation, sport marketing and scenario marketing. "Master Kong Ice Tea" cooperated with NBA China Game to launch sport marketing, and continued to promote IP cooperation such as "Disney" and "Produce 101" to achieve sales growth. "Green Tea" sparing launched IP cooperation with the TV series "Fights Break Sphere (鬥破蒼穹)" and Tencent's animation "Beryl and Sapphire(小綠和小藍)" to attract secondary consumer groups. The "Jasmine Series" continued its romantic scenario marketing to attract young consumers. The Milk Tea Series achieved sales growth by launching small package products to meet the demand for portable products and expand consumer scenarios.

Bottled Water

The bottled water business, affected by the price increase strategy initiated in the second quarter, was still in the process of product structure adjustment during the period. However, the Group still actively met the demands of different consumption scenarios with multiple specifications, and launched IP cooperation to enhance the brand image during the period. "Master Kong bottled drinking water" launched the " Boonie Bears (熊出沒)" IP cooperation to spread the reassuring quality of water produced by the "eight processes with national patents" to attract young people and young families. "Youyue" attracts white-collar consumer groups with its NSF-certified-internationally high quality. The natural mineral water, "Han Yang Quan", attracted high-end consumer groups with high quality and cultural attributes, and brought a Chinese style to the world by joining hands with the "Tmall China Cool (天貓國潮行動)" during the New York Fashion Week to establish a high-end brand image.

Carbonated Drinks

Carbonated drinks promoted all-channel construction with products of multiple specifications and achieved high growth in sales again by enhancing product penetration rate, launching new products, launching IP cooperation and firmly grasping high seasons in lower-tier cities. "Pepsi Cola" met different consumption scenarios with different specifications, and launched the " Pepsi Concept Store (潮玩蓋念店)", a marketing campaign, to achieve stable sales growth. "Mirinda", focused on the "Mess with Your Senses (果然會玩)" brand concept, attracted core consumers and achieved sales growth through animation IP cooperation and marketing activities in school seasons. "7 up" launched the "7 up Low Sugar" to meet the trend of healthiness and carried out catering channel marketing to strengthen the penetration rate of products in catering channels for effective expansion of consumption scenarios.

Juice Drinks

After price increase in the first quarter, the beverage business adhered to the established strategy, consolidated the leading position of Chinese juice and promote the sales of western style juice products through creating consumption scenarios,expanding catering channels and media marketing. Chinese style juice drink "Rock Candy Pear", targeting at student groups, cooperated with the popular TV show " Descendants of the Dragon (龍的傳人)" together with own IP " Prince Fresh (清阿哥)" to evoke the trend of ancient Chinese civilization for enhancing the brand image. The "Traditional Drink Sweet-Sour Plum Juice" met the demand for catering channels with its Chinese classic drink image. Western style juice drink "Master Kong Juices" focused on promoting large-package sales during festive scenarios. "Light Fruits (輕養果薈)" created a "Mix & Match Bar (特調 BAR)" campaign that combined with online marketing to create consumption scenarios. "Tropicana" captured catering scenarios and used a variety of specifications to meet the needs of different consumption scenarios such as dining and take-away to strengthen consumers preference for mixed juice through brand communication to achieve sales growth.

Functional Drinks/Probiotics Drinks/Coffee Drinks

Functional drink "Gatorade" continued to build the first brand image of sports drinks, and increased product exposure and achieved stable sales growth by expanding channels such as schools, sports venues and vending machines together with online marketing such as Applets and offline marketing such as branded refrigerators.

In the ready-to-drink coffee market, the Group, with its presence in medium and high priced coffee, has led the development of the premium market in cooperation with our international strategic partner Starbucks, and used "Bernachon coffee" to expand the room temperature mid-high price market so as to maintain sustained sales growth. The canned "Doubleshot" continued channel deepening, accelerated regional expansion, and focused on the development of the e-commerce and specialty channels. The bottled "Frappuccino" launched summer colorful edition gift boxes to drive sales in the peak seasons. "Bernachon coffee", combining with online and offline marketing, actively promoted operation in core urban areas and core channels, and continued to expand the operation areas to achieve rapid sales growth.

"Wei Chuan Ambient Probiotics Drink" met consumers demand for nutrition and quality. On the basis of consolidating the Yangtze River Delta market, we will achieve sales growth by introducing new flavors and new packaging products, expanding sales geographical areas, and promoting new channel developments.

INSTANT FOOD BUSINESS

According to the data from Nielsen, overall sales volume of the biscuit market for the first three quarters of 2018 decreased by 0.1% yoy, sales amount increased by 5.3% yoy, of which sales volume of sandwich crackers decreased by 0.5% and sales amount increased by 7.0% yoy. In the first three quarters, in terms of sales amount, the market share of Master Kong egg rolls was 22.3%, ranked No.1 in the market. The market share of sandwich crackers was 10.3% and ranked No.2 in the market.

In the third quarter of 2018, revenue of the instant food business was RMB193 million, dropped by 16.45% yoy which was temporarily affected by product price increase, and amounted to 1.02% of the Group's total revenue. Gross margin increased by 1.75 ppt. to 37.65%. Despite the decrease in distribution costs and administrative expenses, the third quarter of 2018 recorded loss attributable to owners of instant food business of RMB6.06 million.

The instant food business continued to focus on its core operation of cake and cracker product categories, and gradually planned channel expansion and layout of innovative categories. During the period, we continued to introduce products of multiple specifications and multiple packages to cater to the demand for different consumption scenarios. We actively commenced the construction of emerging channels and improved the incentive mechanism for distributors to optimize overall channel structure. Master Kong's "3+2 sandwich crackers" continued to promote small package products to meet consumers consumption needs for small amount, diverse and higher frequency, and gradually convey a young brand image so as to explore more market opportunities. The "Muffin" has also begun the attempt to develop more specifications to further enrich the product lines.

In addition, the Group will continue to drive product price adjustments and streamline supply chain costs through production line automation to alleviate the upward pressure on raw materials and labor costs. The Group has also initiated product innovation and upgrades to meet the trends toward high-end and healthiness .

FINANCING

The Group continued to maintain a stable and healthy financial structure through effective control of the balances of trade receivables, trade payables, bank balances and cash as well as inventories. As at 30 September 2018, the Group's bank balances and cash totalled RMB12.904 billion, an increase of RMB2.619 billion from 31 December 2017. A sufficient amount of cash in hand was still maintained. As at 30 September 2018, the Group's total assets and total liabilities amounted to approximately RMB54.022 billion and RMB29.725 billion respectively. This showed a decrease in RMB77 million and a decrease in RMB2.080 billion respectively compared to 31 December 2017. The debt ratio decreased by 3.77 ppt. to 55.02% compared to 31 December 2017. Gearing ratio was dropped to -16.44% from 22.26% as at 31 December 2017.

As at 30 September 2018, the Group's total interest-bearing borrowings was RMB9.609 billion which decreased by RMB4.775 billion from 31 December 2017. At the end of the reporting period, the Group's proportion of the total borrowings denominated in foreign currencies and Renminbi were 84% and 16% respectively, as compared to 69% and 31% respectively as at 31December 2017. The proportion between the Group's long-term borrowings and short-term borrowings was 68% and 32% respectively, as compared to 46% and 54% respectively as at 31 December 2017. In line with the Group's overall strategy of Cash Is King, the Group has implemented sound control over capital expenditure and has effectively implemented asset-light and activation on asset, which is expected to generate stable cash inflows. During the period, the Group sold the entire equity interests in a wholly-owned manufacturing subsidiary under the Group's beverage business to an independent third party, realized a net cash inflow of RMB150 million. In the future, the Group will continue to gradually reduce the level of interest-bearing borrowings through the usage of internal resource so as to achieve more flexible and healthier financial structure objectives and further improve the operational basis.

During the period from January to September 2018, US dollars appreciated against Renminbi by 5.70%. Due to the fluctuation of exchange rate, realized and unrealized exchange losses in aggregate of RMB45.39 million has been recognized in the Group's income statement.

Financial Ratio

	As at 30 September 2018	**As at 31 December 2017**
Finished goods turnover	10.81 Days	11.31 Days
Trade receivables turnover	10.76 Days	9.99 Days
Current ratio	0.96 Times	0.79 Times
Debt ratio (Total liabilities to total assets)	55.02%	58.79%
Gearing ratio (Net debt to equity attributable to owners of the Company)	-16.44%	22.26%

HUMAN RESOURCES

As of 30 September 2018, the Group had 54,177 employees. The Group continued to promote organization restructuring, build an efficient organization, and equip it with a suitable talent team. The Group continued to focus on strategic talent layout and talent development. Through various means such as management rejuvenation and talent diversification, the Group promoted the improvement of the "quality" of human resources.

The Group continued to optimize the echelon construction of strategic talents, introduce young and diverse talents through scientific selection, and carry out differentiated trainings. We continued to reserve school talents through the "Young Master Program" and trained basic talents for marketing companies and factories by ways of including school-enterprise cooperation.

CORPORATE SOCIAL RESPONSIBILITY

The Group adheres to the philosophy of "sustainable operation and contribution to the society" and actively fulfills its social responsibility to provide consumers with safe, convenient and delicious products, and contributes to the sustainable development of the country and the nation.

The Group regards food safety as the foundation of an enterprise, continuously improves the production process, strictly controls the quality of its products, and initiates cooperation with China's aerospace industry. Apart from demonstrating the application of aerospace technology in food safety and production, the Group also actively promotes food safety education through online and offline popular science activities and close cooperation with universities and communities, and guides all sectors of the society to participate in food safety law popularization and scientific knowledge popularization, and promotes the concept of healthy diet while enhancing the awareness of social supervision.

In response to the government's energy conservation and environmental protection policy, the Group continues to promote a number of energy conservation and emission reduction projects, and actively carries out environmental protection education. Part of the factories have implemented energy-saving and emission reduction through the transformation of compressed air pipelines and the replacement of LED energy-saving lamps. In terms of environmental protection education, the Group has promoted the "Water Education" programme together with the China Beverage Industry Association for the fourth consecutive year, making long-term contribution to environmental protection.

In response to the government's call, the Group has engaged in disaster relief donation and community consolation activities. As always, the Group actively participated in disaster relief work. In the aftermath of the floods in Chaoshan, Gansu and Henan, the Group timely delivered disaster relief supplies to the victims, which is highly recognized by local government and residents. The Group has also launched a number of community consolation activities throughout China to donate consolation supplies to kindergartens, schools, police stations, the military, and "China's Northernmost Post Office" in Mohe. In the third quarter, we sent coolness and love to the workers and residents in many high temperature places through water delivering trucks, "cooling supply stations (清涼補給站)", "self-serviced refrigerators(無人冰箱)", "Love Station(愛心驛站)" and other means; the Group has also provided scholarships to children of migrant workers.

The Group has also dedicate to the education sector. The "Master Kong Dream Scholarship Project" organized jointly with Waseda University has entered into the fifth phrase. Through such project, the Group subsidizes outstanding undergraduate students from 5 top universities in China for an exchange program in Japan. In addition, the Group has participated in the GMIX social prictice project of Stanford University for the third consecutive year, inviting MBA students to come to the Group to carry out intern project exchanges.

PROSPECTS

Affected by slowing momentum of world economic growth and the uncertainties of Sino-US trade conflict, China's food and beverage industry is also facing pressure on growth. Amidst changing consumer behaviors, fragmenting channels and hovering price of certain raw materials under new economic environment, it is expected that the instant noodle business will develop steadily while the beverage business will still suffer from the pain of business model adjustment in the short - term.

Taking into account short-term, medium and long-term sustainable development, the Group will continue to promote product structure adjustment and reset the business. The Group will seek for stable growth, build the brands, attach importance to cash level, and timely repay bank borrowings to consolidate core categories and products as its top priority, gradually deploy high-end markets, enhance brand investment and brand building, and seek win-win cooperation with dealers and all kinds of partners, optimize channel structure, and layout multiple sales channels.

Meanwhile, the Group will continue to accurately control capital expenditures on the financial side; in respect of supply chain reform, the Group will also optimize layout of production lines and capacities to improve supply chain synergies apart from light asset and asset activation reforms; in respect of organization transformation and upgrade, it will continue to optimize human resources structure apart from streamlining and flattening the organization; utilize internet empowerment to promote big data application, and share service platform construction and system intelligence, with a view to enhancing the efficiency of the Group's operation.

The Group will continue to take food safety as the foundation for development, take aerospace cooperation as an opportunity for promoting the R&D of food safety technologies, and take "national brands" as self-encouragement. With meeting the needs of mass consumption as its business foundation, serving middle class consumer demand as a long-term development goal, and winning together with customers and partners as the cornerstone of success, the Group will adhere to ongoing product structure adjustments and sustainable development striving for gaining a long-term presence in the Chinese food and beverage market.

CORPORATE GOVERNANCE

The Company has, throughout the period ended 30 September 2018, complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviation from code A.4.1 of the CG Code. The reason for the deviation is explained below.

Code provision A.4.1

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

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

Directors' responsibility for the financial statements

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

Audit Committee

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

Internal Control and Risk Management

The principal spirit of internal control procedure established by the Company is compliance with five elements in COSO structure, i.e. environment monitoring, risk assessment, control, information and communication, and monitoring and assessment. The expected objective is to define the management structure and authorization so as to enhance the achievement of operating performance and operational efficiency as well as asset safety protection, to ensure the reliability of financial report while in compliance with the requirements of national regulations.

The Audit Committee will assist the Board in reviewing the design and operational effectiveness of the risk management and internal control system of the Group. Under the supervision of the Board, the Company has established a clear structural organization and line of responsibility and authority As of 30 September 2018, we completed the improvement and compliance supervision of internal control diagnosis and approval authorization in respect of finance and operation. According to the review of internal control and audit department, we have not identified any material deficiency in internal control and risk management.

Compliance with the Model Code

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

SHARE OPTION SCHEME

At the extraordinary general meeting (the "EGM") of the Company held on 20 March 2008, the shareholders approved the adoption of the share option scheme (the "2008 Share Option Scheme"), with a term of ten years from the date of adoption.

In view of the expiry of the 2008 Share Option Scheme, the shareholders of the Company adopted the new share option scheme (the "2018 Share Option Scheme") at the EGM held on 26 April 2018, with a term of ten years from the date of adoption.

(a) 2008 Share Option Scheme

During the nine months ended 30 September 2018, no share options were granted by the Company in accordance with the terms of the 2008 Share Option Scheme.

The terms of the 2008 Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. Detailed arrangement for the 2008 Share Option Scheme is shown as below: (Table A)

Date of grant	Number of share options granted	Exercisable period	Exercise price (HK$)
20 March 2008	11,760,000	21 March 2013 to 20 March 2018 (1)	$9.28
22 April 2009	26,688,000	23 April 2014 to 22 April 2019 (2)	$9.38
1 April 2010	15,044,000	1 April 2015 to 31 March 2020 (3)	$18.57
12 April 2011	17,702,000	12 April 2016 to 11 April 2021 (4)	$19.96
26 April 2012	9,700,000	26 April 2017 to 25 April 2022 (5)	$20.54
27 May 2013	11,492,000	27 May 2018 to 26 May 2023 (6)	$20.16
17 April 2014	12,718,500	17 April 2019 to 16 April 2024 (7)	$22.38
5 June 2015	17,054,000	5 June 2020 to 4 June 2025 (8)	$16.22
4 July 2016	10,148,000	4 July 2021 to 3 July 2026 (9)	$7.54
21 April 2017	11,420,000	21 April 2022 to 20 April 2027 (10)	$10.20

The summary below sets out the details of movement of the share options during the nine months ended 30 September 2018 pursuant to the 2008 Share Option Scheme: (Table B)

Name	Date of grant	Exercise price HK$	Closing price of the shares on the date of grant HK$	Number of share option: Balance as at 1 January 2018	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Balance as at 30 September 2018	Weighted average closing price immediately before exercise HK$	Note
Executive Director										
Wei Ing-Chou	20 March 2008	9.28	8.55	2,000,000	—	2,000,000	—	—	15.96	Table A (1)
	22 April 2009	9.38	9.37	2,816,000	—	—	—	2,816,000	—	Table A (2)
	1 April 2010	18.57	18.42	2,200,000	—	—	—	2,200,000	—	Table A (3)
	12 April 2011	19.96	19.96	2,264,000	—	—	—	2,264,000	—	Table A (4)
	26 April 2012	20.54	19.88	1,368,000	—	—	—	1,368,000	—	Table A (5)
	27 May 2013	20.16	20.05	1,390,000	—	—	—	1,390,000	—	Table A (6)
	17 April 2014	22.38	22.35	1,486,000	—	—	—	1,486,000	—	Table A (7)
	5 June 2015	16.22	15.92	1,726,000	—	—	—	1,726,000	—	Table A (8)
Lin Chin-Tang	27 May 2013	20.16	20.05	218,000	—	—	—	218,000	—	Table A (6)
	17 April 2014	22.38	22.35	224,000	—	—	—	224,000	—	Table A (7)
	5 June 2015	16.22	15.92	334,000	—	—	—	334,000	—	Table A (8)
Wei Hong-Ming	21 April 2017	10.20	10.20	1,000,000	—	—	—	1,000,000	—	Table A (10)
Director of a subsidiary										
Wei Hong-Chen	21 April 2017	10.20	10.20	1,000,000	—	—	—	1,000,000	—	Table A (10)
Chief Executive Officer										
James Chun-Hsien Wei	27 May 2013	20.16	20.05	904,000	—	—	—	904,000	—	Table A (6)
	17 April 2014	22.38	22.35	1,148,000	—	—	—	1,148,000	—	Table A (7)
	5 June 2015	16.22	15.92	2,006,000	—	—	—	2,006,000	—	Table A (8)
	4 July 2016	7.54	7.54	4,300,000	—	—	—	4,300,000	—	Table A (9)
	21 April 2017	10.20	10.20	4,000,000	—	—	—	4,000,000	—	Table A (10)
Other employees in aggregate	20 March 2008	9.28	8.55	300,000	—	150,000	150,000	—	15.96	Table A (1)
	22 April 2009	9.38	9.37	4,145,000	—	809,000	718,000	2,618,000	16.38	Table A (2)
	1 April 2010	18.57	18.42	7,803,000	—	—	675,000	7,128,000	—	Table A (3)
	12 April 2011	19.96	19.96	9,946,000	—	—	782,000	9,164,000	—	Table A (4)
	26 April 2012	20.54	19.88	6,088,000	—	—	220,000	5,868,000	—	Table A (5)
	27 May 2013	20.16	20.05	7,588,000	—	—	—	7,588,000	—	Table A (6)
	17 April 2014	22.38	22.35	8,484,000	—	—	130,000	8,354,000	—	Table A (7)
	5 June 2015	16.22	15.92	11,754,000	—	690,000	149,000	10,915,000	17.66	Table A (8)
	4 July 2016	7.54	7.54	5,123,000	—	400,000	—	4,723,000	15.15	Table A (9)
	21 April 2017	10.20	10.20	5,270,000	—	500,000	—	4,770,000	15.94	Table A (10)
Total				96,885,000	—	4,549,000	2,824,000	89,512,000		

For the period of nine months ended 30 September 2018, 4,549,000 options had been exercised under the 2008 Share Option Scheme. Weighted average exercise price was HK$10.30 and the weighted average market closing price before the date of exercise was HK$16.22.

(b) 2018 SHARE OPTION SCHEME

The terms of the 2018 Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. Detailed arrangement for the 2018 Share Option Scheme is shown as below: (Table C)

Date of grant	Number of share options granted	Exercisable period	Exercise price (HK$)
27 April 2018	2,478,000	30 April 2021 to 26 April 2028 (1a)	$16.18
27 April 2018	5,626,000	30 April 2021 to 26 April 2024 (1b)	$16.18

The summary below sets out the details of movement of the share options during the nine months ended 30 September 2018 pursuant to the 2018 Share Option Scheme: (Table D)

				Number of share option						
Name	**Date of grant**	**Exercise price HK$**	**Closing price of the shares on the date of grant HK$**	**Balance as at 1 January 2018**	**Granted during the period**	**Exercised during the period**	**Cancelled/ lapsed during the period**	**Balance as at 30 September 2018**	**Weighted average closing price immediately before exercise HK$**	**Note**
Executive Director										
Wei Ing-Chou	27 April 2018	16.18	15.02	–	470,000	–	–	470,000	–	Table C (1b)
Wei Hong-Ming	27 April 2018	16.18	15.02	–	483,000	–	–	483,000	–	Table C (1b)
Director of a subsidiary										
Wei Hong-Chen	27 April 2018	16.18	15.02	–	483,000	–	–	483,000	–	Table C (1b)
Chief Executive Officer										
James Chun-Hsien Wei	27 April 2018	16.18	15.02	–	2,478,000	–	–	2,478,000	–	Table C (1a)
	27 April 2018	16.18	15.02	–	27,000	–	–	27,000	–	Table C (1b)
Other employees in aggregate	27 April 2018	16.18	15.02	–	4,163,000	–	22,000	4,141,000	–	Table C (1b)
Total				–	8,104,000	–	22,000	8,082,000	–	

During the nine months ended 30 September 2018, no share options were exercised under the terms of the 2018 Share Option Scheme.

BOARD OF DIRECTORS

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

By Order of the Board
Wei Ing-Chou
Chairman

Shanghai, the PRC, 26 November 2018

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

* *For identification purpose only*