

Hong Kong Exchange and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the content of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss or damage arising from or in reliance upon the whole or any part of the content of this announcement.



康師傅控股有限公司*

TINGYI (CAYMAN ISLANDS) HOLDING CORP.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 322)

THIRD QUARTERLY RESULTS FOR THE THREE MONTHS AND NINE MONTHS ENDED 30TH SEPTEMBER 2015

SUMMARY

US\$'000	For the three months ended 30 September			For the nine months ended 30 September		
	2015	2014	Change	2015	2014	Change
• Turnover	2,763,470	2,953,923	↓ 6.45%	7,633,872	8,458,341	↓ 9.75%
• Gross margin	33.30%	32.07%	↑ 1.23 pp	33.04%	31.42%	↑ 1.62 pp
• Gross profit of the Group	920,186	947,337	↓ 2.87%	2,522,235	2,657,830	↓ 5.10%
• EBITDA	408,063	401,360	↑ 1.67%	1,087,701	1,104,774	↓ 1.55%
• Profit for the period	188,094	205,532	↓ 8.48%	461,386	542,531	↓ 14.96%
• Profit attributable to owners of the Company	144,275	159,653	↓ 9.63%	341,934	391,559	↓ 12.67%
• Earnings per share (US cent)						
Basic	2.57	2.85	↓ 0.28 cen	6.10	6.99	↓ 0.89 cen
Diluted	2.57	2.84	↓ 0.27 cen	6.09	6.97	↓ 0.88 cen

As at 30 September 2015, cash and cash equivalents were US\$1,666.044 million, which is an increase of US\$482.941 million when compared to 31 December 2014. Gearing ratio was 0.28 times.

2015 THIRD 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 and nine months ended 30 September 2015 together with the comparative figures for the corresponding periods in 2014. These unaudited condensed consolidated third quarterly financial statements have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the Three Month and Nine Month Ended 30 September 2015

		July to September 2015 (Unaudited) US\$'000	January to September 2015 (Unaudited) US\$'000	July to September 2014 (Unaudited) US\$'000	January to September 2014 (Unaudited) US\$'000
	<i>Note</i>				
Turnover	2	2,763,470	7,633,872	2,953,923	8,458,341
Cost of sale		(1,843,284)	(5,111,637)	(2,006,586)	(5,800,511)
Gross profit		920,186	2,522,235	947,337	2,657,830
Other revenue and other net income		46,811	142,737	44,270	154,044
Distribution costs		(522,802)	(1,486,877)	(598,107)	(1,703,582)
Administrative expenses		(90,993)	(265,118)	(68,503)	(237,273)
Other operating expenses		(76,444)	(208,401)	(35,740)	(105,425)
Finance costs	5	(14,954)	(45,844)	(12,220)	(33,120)
Share of result of associate and joint venture		5,390	15,219	4,820	14,292
Profit before taxation	5	267,194	673,951	281,857	746,766
Taxation	6	(79,100)	(212,565)	(76,325)	(204,235)
Profit for the period		<u>188,094</u>	<u>461,386</u>	<u>205,532</u>	<u>542,531</u>
Attributable to					
Owner of the Company		144,275	341,934	159,653	391,559
Non-controlling interest		43,819	119,452	45,879	150,972
Profit for the period		<u>188,094</u>	<u>461,386</u>	<u>205,532</u>	<u>542,531</u>
Earnings per share	7				
Basic		<u>2.57 cen</u>	<u>6.10 cen</u>	<u>2.85 cen</u>	<u>6.99 cen</u>
Diluted		<u>2.57 cen</u>	<u>6.09 cen</u>	<u>2.84 cen</u>	<u>6.97 cen</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Three Month and Nine Month Ended 30 September 2015

	July to September 2015 (Unaudited) US\$ 000	January to September 2015 (Unaudited) US\$ 000	July to September 2014 (Unaudited) US\$ 000	January to September 2014 (Unaudited) US\$ 000
Profit for the period	188,094	461,386	205,532	542,531
Other comprehensive (loss) income				
Items that are or may be reclassified subsequently to profit and loss:				
Exchange difference on consolidation	(118,021)	(123,628)	38,365	(66,284)
Fair value change in available-for-sale financial assets	(3,551)	2,709	2,371	2,371
Reclassification adjustments relating to available-for-sale financial assets disposed of in the period	—	(5,736)	—	—
Other comprehensive (loss) income for the period	(121,572)	(126,655)	40,736	(63,913)
Total comprehensive income for the period	<u>66,522</u>	<u>334,731</u>	<u>246,268</u>	<u>478,618</u>
Total comprehensive income attributable to:				
Owner of the Company	51,298	246,857	194,565	349,900
Non-controlling interest	15,224	87,874	51,703	128,718
	<u>66,522</u>	<u>334,731</u>	<u>246,268</u>	<u>478,618</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

	At 30 September 2015 (Unaudited) US\$'000	At 31 December 2014 (Audited) US\$'000
	<i>No e</i>	
ASSETS		
Non-current assets		
Property, plant and equipment	5,659,190	5,859,905
Prepaid lease payments	719,474	737,387
Intangible assets	26,739	27,305
Interests in associates	32,964	31,973
Interests in joint ventures	89,052	74,153
Available-for-sale financial assets	88,669	79,052
Deferred tax assets	51,832	53,009
	<hr/>	<hr/>
	6,667,920	6,862,784
	<hr/>	<hr/>
Current assets		
Financial assets at fair value through profit or loss	7,590	2,352
Intangible assets	362,938	386,958
Trade receivables	310,322	238,239
Prepayments and other receivables	442,057	532,621
Pledged bank deposits	17,534	12,203
Bank balances and cash	1,648,510	1,170,900
	<hr/>	<hr/>
	2,788,951	2,343,273
	<hr/>	<hr/>
Total assets	9,456,871	9,206,057

	At 30 September 2015 (Unaudited) US\$'000	At 31 December 2014 (Audited) US\$'000
<i>Note</i>		
EQUITY AND LIABILITIES		
Capital and reserves		
Issued capital	28,014	28,019
Share premium	63,900	65,421
Reserves	2,996,006	2,940,117
	<hr/>	<hr/>
Total capital and reserves attributable to owners of the Company	3,087,920	3,033,557
Non-controlling interests	1,108,669	1,062,107
	<hr/>	<hr/>
Total equity	4,196,589	4,095,664
	<hr/>	<hr/>
Non-current liabilities		
Long-term interest-bearing borrowing	1,371,900	1,246,720
Employee benefit obligation	30,606	28,702
Deferred tax liabilities	227,152	198,487
	<hr/>	<hr/>
	1,629,658	1,473,909
	<hr/>	<hr/>
Current liabilities		
Trade payable	1,163,390	896,131
Other payable and deposits received	1,169,876	1,233,472
Current portion of interest-bearing borrowing	1,171,082	1,382,034
Advance payments from customer	48,942	100,522
Taxation	77,334	24,325
	<hr/>	<hr/>
	3,630,624	3,636,484
	<hr/>	<hr/>
Total liabilities	5,260,282	5,110,393
	<hr/>	<hr/>
Total equity and liabilities	9,456,871	9,206,057
	<hr/>	<hr/>
Net current liabilities	(841,673)	(1,293,211)
	<hr/>	<hr/>
Total asset less current liabilities	5,826,247	5,569,573
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The Directors are responsible for the preparation of the Group's unaudited condensed consolidated interim financial statements. The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (HKAS) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). The condensed consolidated interim financial statements should be read in conjunction with the 2014 annual financial statements. The accounting policies adopted in preparing the condensed consolidated interim financial statements for the nine months ended 30 September 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 newly/revised standards of Hong Kong Financial Reporting Standard (HKFRS) which are relevant to the Group's operation and are effective for the Group's financial year beginning on 1 January 2015.

Amendment to HKAS 19 (2011)	Defined Benefit Plan Employee Contribution
Variable HKFRS	Annual Improvement Project 2010-2012 Cycle
Variable HKFRS	Annual Improvement Project 2011-2013 Cycle

The adoption of the amendments to HKFRS did not result in a material change 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, installation of equipment, maintenance, repair, decoration and other added value.

3. Segment information

Segment results

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

	For the Nine Months ended 30 September 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 customer	3,165,869	5,060,957	136,883	94,632	—	8,458,341
Inter-segment revenue	40	575	118	71,143	(71,876)	—
Segment revenue	<u>3,165,909</u>	<u>5,061,532</u>	<u>137,001</u>	<u>165,775</u>	<u>(71,876)</u>	<u>8,458,341</u>
Segment results after finance cost	388,096	353,995	(7,361)	2,079	(2,367)	734,442
Share of result of associate and joint venture	—	22,136	(7,844)	—	—	14,292
Unallocated expense	—	—	—	(1,968)	—	(1,968)
Profit (loss) before taxation	388,096	376,131	(15,205)	111	(2,367)	746,766
Taxation	(107,692)	(96,475)	428	(496)	—	(204,235)
Profit (loss) for the period	<u>280,404</u>	<u>279,656</u>	<u>(14,777)</u>	<u>(385)</u>	<u>(2,367)</u>	<u>542,531</u>

Segment information is prepared based on the regular internal financial information reported to the Company's executive directors for their decision about the allocation of the Group's business components and results of the components' performance. The Company's executive directors assess the performance of reportable segments based on profit (loss) before taxation, share of result of associate and joint venture and unallocated expense.

3. Segment information (continued)

Segment assets

	At 30 September 2015					Group (Unaudited) US\$'000
	Instant noodles (Unaudited) US\$'000	Beverages (Unaudited) US\$'000	Instant food (Unaudited) US\$'000	Others (Unaudited) US\$'000	Inter-segment elimination (Unaudited) US\$'000	
	Segment assets	3,590,535	5,043,843	137,674	1,366,387	
Inere in a oia e	—	32,932	32	—	—	32,964
Inere in join en, re	—	78,076	10,976	—	—	89,052
Unalloca ed a e						96,259
Total assets						9,456,871
Segmen liabili ie	980,422	3,061,951	51,542	1,977,470	(841,708)	5,229,677
Unalloca ed liabili ie						30,605
Total liabilities						5,260,282

	At 31 December 2014					Group (Audited) US\$'000
	Instant noodles (Audited) US\$'000	Beverages (Audited) US\$'000	Instant food (Audited) US\$'000	Others (Audited) US\$'000	Inter-segment elimination (Audited) US\$'000	
	Segment assets	3,446,274	5,227,348	160,291	1,340,036	
Inere in a oia e	—	30,646	1,327	—	—	31,973
Inere in join en, re	—	58,346	15,807	—	—	74,153
Unalloca ed a e						81,404
Total assets						9,206,057
Segmen liabili ie	1,041,013	3,311,438	62,817	1,766,568	(1,100,145)	5,081,691
Unalloca ed liabili ie						28,702
Total liabilities						5,110,393

Segment assets include all assets with the exception of intangible assets, inere in join en, re and unallocated assets. Segment liabilities include all liabilities with the exception of employee benefit obligations.

4. Seasonality of operations

Due to the seasonal nature of the beverage segment, higher revenues are typically 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 holiday season.

5. Profit before taxation

This is stated after charging:

	July to September 2015 (Unaudited) US\$'000	January to September 2015 (Unaudited) US\$'000	July to September 2014 (Unaudited) US\$'000	January to September 2014 (Unaudited) US\$'000
Finance costs				
Interest on bank and other borrowings	14,954	45,844	12,220	33,120
Other items				
Depreciation	133,720	391,725	121,380	370,668
Amortisation	3,938	12,802	2,090	6,173

6. Taxation

	July to September 2015 (Unaudited) US\$'000	January to September 2015 (Unaudited) US\$'000	July to September 2014 (Unaudited) US\$'000	January to September 2014 (Unaudited) US\$'000
Current tax – The PRC enterprise income tax				
Current period	65,120	180,271	65,313	174,321
Deferred taxation				
Origination and reversal of temporary difference	3,690	8,385	3,073	4,534
Effect of 10% withholding tax on the distributable profits of the Group's PRC subsidiaries	10,290	23,909	7,939	25,380
Total charge for the period	79,100	212,565	76,325	204,235

The Cayman Islands is not a tax jurisdiction of the Company and the Group.

Hong Kong Profits Tax has not been provided as the Group entities had no assessable profits subject to Hong Kong Profits Tax for the nine months ended September 2015 and 2014.

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

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

Furthermore, the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends distributed to foreign investors by the foreign income 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 treaty between PRC and jurisdiction of the foreign investor. For the Group's PRC subsidiaries, as a sole and joint venture, the applicable rate is 10%. Deferred tax liabilities provided on 50% of post-2007 net earnings of the Group's PRC subsidiaries have been provided to be deductible in the foreseeable future. The remaining 50% of post-2007 net earnings of the Group's PRC subsidiaries have not been provided to be deductible in the foreseeable future. In addition, subject to additional taxation when they are distributed. Undistributed earnings of the Group's PRC sole and joint ventures are not subject to withholding tax as the companies are held by a PRC subsidiary.

7. Earnings per share

a) Basic earning per share

	July to September 2015 (Unaudited)	January to September 2015 (Unaudited)	July to September 2014 (Unaudited)	January to September 2014 (Unaudited)
Profit attributable to ordinary shareholders (US\$'000)	<u>144,275</u>	<u>341,934</u>	<u>159,653</u>	<u>391,559</u>
Weighted average number of ordinary shares ('000)	<u>5,603,352</u>	<u>5,603,804</u>	<u>5,601,583</u>	<u>5,598,633</u>
Basic earning per share (US cent)	<u>2.57</u>	<u>6.10</u>	<u>2.85</u>	<u>6.99</u>

b) Diluted earning per share

	July to September 2015	January to September 2015	July to September 2014	January to September 2014
--	-----------------------------------	--------------------------------------	-----------------------------------	--------------------------------------

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 2015 (Unaudited) US\$'000	At 31 December 2014 (Audited) US\$'000
0 - 90 days	1,124,329	863,205
Over 90 days	39,061	32,926
	<u>1,163,390</u>	<u>896,131</u>

11. Approval of third quarterly financial statements

The third quarterly financial statements of 2015 were approved by the board of directors on 16 November 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

During the third quarter of 2015, the momentum of global economic recovery remained weak. Faced with the pressure of overcapacity and financial leverage, the growth rate of the economy slowed down and the low-level decline continued. In the first quarter of 2009, GDP only increased by 6.9% year-on-year (YOY). In the second half of the year, the illiquid credit environment hindered the high-quality development of the operation of food and beverage industry.

In the third quarter, the Group further expanded the execution of planned operational strategy and management focus, to achieve the target of cost saving, efficiency enhancement, innovation and safety. The focus included: providing consumer a large number of comprehensive quality products through product upgrade; strengthening the execution and supply chain management, and effectively managing the independent channel and capital expenditure; entering into alliance with international strategic partner in order to improve product and operational innovation; and enhancing staffing in key areas of organization structure.

In the third quarter of 2015, the Group's income decreased by 6.45% YOY to US\$2,763.470 million. Total income of food and beverage decreased by 6.2% and 5.26% respectively. However, the decline rate of the Group's income during the third quarter has been slowed down compared to that of the first half. During the period, benefiting from the fall in the price of certain major materials, optimization of production mix and rationalization in production operation, gross profit margin was improved. The Group's gross profit margin in the third quarter of the year increased by 1.23 pp. to 33.30% YOY. As a more conservative trend in competition developed, the Group has been well controlled operation cost. During the period, distribution cost as a percentage of total income was 18.92%, a decrease of 1.33 pp. YOY. The EBITDA of the Group for the third quarter of 2015 increased by 1.67% to US\$408.063 million, EBITDA margin increased by 1.18 pp. to 14.77%. Profit attributable to owner of the Company dropped by 9.63% to US\$144.275 million. The decline rate of the Group's net profit during the third quarter has been slowed down compared to that of the first half. Net profit margin was 5.22%, a decrease of 0.18 pp. YOY. Earnings per share decreased by 0.28 US cent to 2.57 US cent.

FOOD BUSINESS

Instant Noodle Business

According to AC Nielsen, the instant noodle industry in China entered into a recession for four consecutive quarters but had hopes of stabilization. The volume of the market as a whole decreased by 2.8% YOY but the volume increased by 0.4% YOY. During the third quarter, in terms of volume and volume, the market share of Ma'er Kong' in an noodle was 46.3% and 55.0% respectively, maintained the leading position in the market.

In the third quarter of 2015, the income of the Group in an noodle business was US\$1,061.913 million, a decrease of 6.2% on a year basis, and representing 38.43% of the Group's income. Benefited from the low-level decline of palm oil price and other material price remained stable during the period, as a result, the gross profit margin of the instant noodle business increased by 1.95 pp. to 31.76%. During the period, the Group has effectively controlled marketing and promotion expense. Due to the decline, profit attributable to owner of the Company from the instant noodle business dropped by 5.48% YOY to US\$112.645 million. Profit attributable to owner of the Company margin for the third quarter of 2015 slightly rose by 0.08 pp. to 10.61%.

In order to meet the demand for nutritious ingredients from consumer a variety of the objective, the Group will continue to adopt the planned upgrade strategy for instant noodle business, so as to maintain the momentum of sustainable growth:

1. To speed up the upgrade of mainstream product in the market and accelerate the upgrading of industrial technology and standard.
2. To focus on the operation of brand equity, and to committedly provide convenient, delicious, affordable perfect consumption experience to consumer from differentier.
3. To finalize the racking system for food safety management and quality capabilities, which provided a guarantee on the product and service to consumer.
4. To encourage proactive innovation by leveraging on the innovation on the taste and packaging, the operation of modern channel, and technical mechanism of brand management and supply chain management, to have the need of consumer and the growth of the enterprise.

High-End Noodle

The Group maintained its absolute leadership position in the high-end noodle market, and initiated product upgrade in addition to innovative product planning, to address the consumer demand. We also focused on improving the brand image, which emphasized healthy, safe and fashionable elements, and communicated its healthy, safe and fashionable connotation in form of entertainers. A wide variety of activities and promotions were organized. Through various sponsored events, the fashionable branding influence of products and activities of consumers on products were enhanced, such as the proposition of, Perishing in Dream, Supporting You All the Way of the Braided Brand, the recognition of the brand healthy, safe and fashionable connotation enhanced; the penetration in camp market, the Pickled Mard Serie – and the promotion of a wide demand for a healthy and balanced diet of the, Group Noodle Serie – through the, Equilibrium operation – online platform.

Moreover, the Group introduced a range of new products to cater the development trend of niche noodle market. After the launch of, Fresh Banquet – which is a premium noodle has appeal for healthy demand and, Zhen Liao Dao – all purpose noodle in the, Precious – food material, we adopted innovative brand communication means to publicize our creative idea of, Fried Noodle Combo Fore and Afters – which did not only, cater to the product, but also a new way of consumption (fried noodle + a snack), but also on the Gold Award for the brand connotation and entertainers category in the 2015 Spike Award. The innovative flavor and new products under the new high-end category achieved remarkable financial performance during the period.

Mid-end Noodle/Snack Noodle

According to AC Nielsen, in terms of sales volume, the market share of the Group's mid-end noodle products for the third quarter was 40.5%, which continued to maintain the leading position in the market. We maintained our focus on meeting consumers' demand for affordable products. In addition to strengthening channel innovation and development, we also placed emphasis on enhancing the penetration rate of products, with an aim to effectively refine supply chain and optimize warehousing management, in order to provide more comprehensive services. During the third quarter, the RMB1.00, Xiang Bao Gao – snack noodle was launched with a promotion campaign that combined online and offline marketing in an integrated manner. High sales were recorded. At the same time, the products were upgraded to a higher level for innovation. Guixuan Feng + Spring Bean – was well received in terms of sales. Positive feedback were received, which offered consumers more abundant and diversified choice of products. Our key objective of increasing capacity, rebranding and upgrading from, upgrade and innovation.

Instant Food Business

According to AC Nielsen, as a result of the prolonged downturn of traditional biscuit market in the third quarter of 2015, the sales volume and the sales volume of biscuit market as a whole declined by 3.4% and 1.4% respectively. The business environment still faced a significant challenge. In response to the change in market and environment, the Group adjusted its strategy of marketing in certain items, re-designed the management of network and channel in order to enhance overall efficiency. The Group will continue to actively strengthen its operation with emphasis in developing its momentum of growth. During the third quarter, in terms of sales volume, Ma'er Kong Egg Roll accounted for 19.3% of the market share, which ranked first in the market, while the and which cracker accounted for 13.1% of the market share, and ranked second in the market.

In the third quarter of 2015, the sales of the group in an food business was US\$36.235 million, dropped by 23.44% when compared to same period last year, representing 1.31% of the Group's total revenue. During the period, although we have effectively controlled the selling and administrative expenses, the in an food business still recorded a loss of US\$5.651 million as a result of the reduction in the sales volume of the core bakery business and the recognition of the loss from the new in an food business.

In view of the above business environment, the Group will focus in the following core strategies:

1. To focus on key products, such as and which cracker, maffin and egg roll. By capitalizing on product upgrade and innovation, such as diversified packaging specification and high-end presentation, the market share and consolidated profit were enhanced.
2. To enhance product efficiency and reduce cost through optimizing the supply chain, a well advanced production automation and human resources has reduced the headcount, hereby enhancing competitiveness.

Apart from improving the soda and rich product, new specification for product were developed for electric appliance vendor and for the 3+2 haring package and display, both selling a convenience store. It is also planned that gift box pack will be launched for Chinese New Year. To cater for the demand of consumer for high-end quality ice cream, the upgraded milk chocolate will be launched. As for other business, emphasis will continue to be placed on accumulation and learning of industry experience, which helps in producing and a former a the food. By leveraging on optimizing supply chain and refining product portfolio, and combining the characteristic of diversified choice and small volume of instant food, a light and flexible business model for development will be established.

The Group proposed an announcement regarding the termination of the joint venture relationship in Calbee (Hangzhou) Food Co., Ltd. on 4 November 2015. After amiable negotiation with the Japanese side, the Group will acquire all equity interest of Calbee (Hangzhou) Food Co., Ltd. held by Calbee and Iochi Corporation, and the joint venture relationship will terminate. And the Group will undertake and continue to operate the existing business of the joint venture.

BEVERAGE BUSINESS

According to AC Nielsen, the sales volume and sales amount of the China beverage industry increased by 0.3% and 2.5%, respectively, in the third quarter of 2015. The beverage industry was affected by the change of consumer behavior, and the growth market opportunity from urban area, the Group will upgrade our product and enhance our channel coverage, with an aim to serve more consumer and bring more value to the beverage market.

In the third quarter of 2015, the turnover of the beverage business of the Group was US\$1,638.143 million, dropped by 5.26%, representing 59.28% of the Group's total turnover. The sales decline mainly due to the decline in the price of major raw material, such as PET resin, together with the rationalization in production process, the gross profit margin increased by 1.06 percentage points to 34.47%. The amount of profit from the beverage business attributable to owner of the Company for the third quarter of 2015 was US\$35.775 million, a decrease of 4.42%. Compared with the same period last year, the improved operating performance. Meanwhile the inflation cost has been declined when compared to same period last year. Due to the depreciation in Renminbi and other appreciation in the third quarter, the profit of the beverage business was a decline.

Taking into account the structural change in the consumer demand, the beverage business will consolidate its product category to become more comprehensive. Operation initiatives were proactively adopted to create market share, expand the scale of operation and efficiency, utilization of production capacity. The following strategies were applied to meet the requirements of consumer:

1. To focus on the operation of key products, such as RTD tea, bottled water and carbonated drink, consolidate the leading position of RTD tea, strengthen the brand of bottled water, and to expand market share from an increased sales volume.
2. To create the brand value and the relationship with consumer, cooperate with Disney and NBA.
3. To reasonably reconcile the channel in different regions and sales model and the operation, the new products have been produced and sales, and to achieve the objective of optimizing the production age and the terminal, responding rapidly to the change in consumer demand with the spirit of S&OP.
4. To share consumer, refrigerator, supply chain and sales platform through the cooperation of beverage business of Maer Kong with the beverage business of Pepsi, which rapidly enhanced the marketing capabilities of the consumer.

RTD Tea

According to AC Nielsen, the sales volume of the Group's RTD tea (including milk tea) accounted for 56.0% of market share, an increase of 0.1 percentage points in the third quarter of 2015, and ranked first in the market. Maer Kong's Iced Tea, a flagship product, entered into an official partnership agreement in the China market with NBA, an international basketball association. Not only the main sales market share, but also continue to focus on the value and fresh feeling of the brand, in order to gain the absolute leading position in the market.

Bottled Water

The sale volume of the Group's bottled water for the third quarter accounted for 18.6% of the market share, and ranked second in the market. In response to the new State Labeling Law, Ma'er Kong's bottled water received a transferred label from Mineral Water, Yone, and a listed brand are through the acquisition of Yone people's heart. Acquisition of superior quality were kicked off in the third quarter, and 59 plans across the country obtained the certification of international standard ISO22000. This enhanced the Group's and the brand's image as a producer of quality and high reliability. Moreover, the Group became the official designated partner in China NBA, which will join build a more superior, healthier and safer living in China.

Carbonated Drinks

According to Canadian, Pepsi-Cola's leading position in the carbonated drink market. In the third quarter of 2015, its sale volume accounted for 45.9% of market share, Mirinda accounted for 36.4% of market share in the first quarter as a carbonated drink. Apart from the promotion activities of ariac brand, which enhanced the experience and participation of competition, such as, Pepsi Challenge and, Pepsi Challenger Union, the event of, Miing FUN in Happy Water - organized under Mirinda, the alliance formed Ma'er Kong-Pepsi demonstrated effective in handling of relationship in a chain system and the operation system.

Juice Drinks

The sale volume of the first quarter juice brand, under Ma'er Kong and the Tropicana brand, under Pepsi during the third quarter accounted 21.3% of the market share in total, ranking second in the market. With a more sophisticated packaging and enhanced flavor, the sale for the Chinese juice drink of Ma'er Kong recorded positive growth. As to the innovation of the product, the emphasis on health and wellness, the high juice drink, such as, Honey Citron and, Haijing lemon - from the, Light Fruit Mixture became one of the popular brand for healthy living.

Vitamin Drinks

For the past few years, the functional beverage category had maintained an average annual growth rate of 30%, with the performance of vitamin drink more outstanding. By leveraging on the relationship of international partner, the Group launched the, Vitamin Power - three flavor full covering all channel. The brand engaged Lee Minho, a Korean superstar the poke man, which facilitated the awareness of the brand overseas, and a well received commercial, Natural Vitamin, the Group's health vitamin beverage in natural lemon. The 550 ml Natural Vitamin will be launched in the fourth quarter, through the package differentiation to meet the need of consumer at different time of drinking.

Milk Drinks / Lactic Acid Bacteria Drinks

Under the milk drink category of the Group, in addition to the classical milk tea, we launched a new product, Fresh Milk Tea, under the, Quick Cafe - brand according to the change in consumer. The packaging adopted casual cartoon style, which is closed online, and being professional. The product received a positive reaction once it was launched. Besides, we introduced a new LPC lactic acid bacteria beverage as a room temperature joint with Weichuan, in order to satisfy the demand of consumer for health. This product became a new growth point for the beverage line.

FINANCING

The Group continued to maintain a stable and healthy financial structure through effective control of trade receivable, trade payable, bank balance and cash and in ending the third quarter of 2015. As at 30 September 2015, the Group's cash and bank deposits totaled US\$1,666.044 million, an increase of US\$482.941 million from 31 December 2014. An efficient amount of cash holding was maintained. As at 30 September 2015, the Group's total assets and total liabilities amounted to approximately US\$9,456.871 million and US\$5,260.282 million respectively. This showed increase in US\$250.814 million and US\$149.889 million respectively compared to 31 December 2014. The debt ratio increased to 0.11 pp. to 55.62% compared to 31 December 2014.

As at 30 September 2015, the Group's total interest-bearing borrowings decreased by US\$85.772 million to US\$2,542.982 million. The borrowings were mainly used for capital expenditure on production facilities and general working capital. During the period, the Group's proportion of the total borrowings denominated in foreign currencies and Renminbi were 87% and 13% respectively, compared to 82% and 18% respectively as at 31 December 2014. The proportion between the Group's long-term borrowings and short-term borrowings was 54% and 46% respectively, compared to 47% and 53% respectively as at 31 December 2014. Since August 11, 2015, the devaluation of the Renminbi and the decline of the GDP to below its target of 7.0, the domestic economy has remained in doldrums. The expectation on the depreciation in Renminbi is rising gradually. Combined with the diverged trend of the interest rate between Renminbi and the US dollar and the Group itself, the Group has adjusted its financing strategy since September to increase its proportion of onshore financing and to reduce its foreign currency financing. The Group's proportion of Renminbi borrowings, and the proportion of Renminbi borrowings of the Group's total borrowings will be increased gradually.

On 6 August 2015, the Company issued a new aggregate principal amount of RMB1 billion (No. 15). The issue price of the Note was 99.656% of the principal amount of the Note. The Note shall bear interest of 4.375% per annum from 6 August 2015, which will be paid once a year on 6 August. The Note shall mature on 6 August 2018. The Note is an unsecured debt of the Company. The primary objective for the Group to issue Renminbi debt is to diversify its financing structure and to reduce its proportion of liabilities being denominated in foreign currencies. The Group's overall credit rating to enhance the raising of direct financing is a reasonable objective of financing.

During the period, the depreciation in Renminbi against the US dollar was 2.36%, together with the fluctuation of the exchange rate in the Euro against the USD, brought a realized loss of US\$49.479 million in the Group's income statement.

In 2014, the Group announced a voluntary retirement plan (the Plan) for employees as a result of an integration programme of the Pepsi beverage line. The Group has made an offer of the Plan to the affected employees who can decide to accept the offer of benefits in exchange for the termination of their employment. The termination benefits of US\$37 million have been recognized as expense during the nine-month period ended 30 September 2015. As at 30 September 2015, the estimated possible obligation of termination benefits is amounting to approximately US\$37 million (31 December 2014: US\$70 million) which is expected to be settled between 2015 and 2016 if all the offers are accepted by qualified employees and disclosed a contingent liability.

The joint venture and associate in the Pepsi beverage line of the Group (the Joint Venture and Associate) have, based on their own operation requirements, all implemented a compensation plan (the Compensation Plan) which is similar to the Plan. During the nine-month period ended 30 September 2015, the Group has committed for the payment of US\$22 million arising from the Compensation Plan and such payments have been recognized as expense by the Group. As at 30 September 2015, the possible amount of liabilities which arising from the Compensation Plan has not been committed by the Group is amounting to approximately US\$19 million.

Financial Ratio

	As at 30 September 2015	As at 31 December 2014
Financed good will	9.71 DaB	11.73 DaB
Trade receivable turnover	9.81 DaB	8.89 DaB
Gross ratio	0.77 Time	0.64 Time
Debt ratio (Total liabilities to total assets)	55.62%	55.51%
Gearing ratio (Net debt to equity attributable to owners of the Company)	0.28 Time	0.48 Time

HUMAN RESOURCES

As at 30 September 2015, the Group had 72,474 employees (73,556 employees as at 30 June 2015). The Group also considers the fostering and development of talent as one of its major tasks, and cooperates with the general domestic and overseas renowned academic institutions in training senior management talent in international.

CORPORATE SOCIAL RESPONSIBILITY

During the quarter, the Group offered help on the occasion of being affected by the level 6.5 earthquake occurred in Pishan County, Heilongjiang Province, Xinjiang, the affected by the earthquake, Changhai—a branch of Xiaogan Zhen District, Shanghai District, Shaoying County, Zhejiang Province, the affected by the earthquake, Songdelo—a Pingfang County, Zhejiang Province, and the affected by the earthquake in Binhai New District of Tianjin. Simultaneously, in an noodle and boiled water were provided to address their urgent need.

On 15 September, the Ma'er Kong Ankang Library in Fulin Town Third Primary School, Hangzhou City completed. This marked the completion of all the Ma'er Kong Ankang Library—donated by Ma'er Kong Charity Foundation earthquake disaster relief area in Ya'an. The earthquake libraries are free for everyone to use of all the earthquake and primary school.

The completion of Keen on the New Generation - New Generation Science and Technology Education - a food and safety competition based on general science learning, in order to identify one of the activities during the Food Safety Week, under Food Safety Camp. The earthquake allocated the earthquake, under and food safety in a more in practice and practical. Ma'er Kong participated in the earthquake nearly 400, in order to identify from more than 30 college and university in Chengde, Xi'an and Hangzhou, a total of more than 150 staff and their families from the earthquake. The earthquake will combine the most popular Running Man game perfect with food safety knowledge and general science, which is a educational and entertaining. The earthquake and families of earthquake arranged on the local in an noodle and beverage factory, which provided comprehensive knowledge on modern food processing and safety management. The participants had to prepare food safety knowledge from creative graffiti work. In addition, the Ma'er Kong Food Safety and General Science Innovation Contest—a linked to the activities platform of 'Food and Drug Safety Camp'—held Food Safety Week of Food Safety Office, under the State Economic Information Network. Since the application notice was published in July, more than 100 college and university in China, more than 2,000 pieces of work were received from September to December, Ma'er Kong will conduct pre-entrance professional earthquake in the holding party join been September and December a 10 college and university. Selected work will be exhibited at 30 college and university. This will gradually bring the boom on food safety and general science in the earthquake and university in China.

AWARDS AND HONORS

In the third quarter, the Group has received award and honor as follows:

1. The 'World' Most Innovative Enterprise 2015—Forbes
2. The Best Advertising Award MMA Chinese Mobile Marketing Alliance
3. The China Food Enterprise Benchmarking Golden Chopstick Award—from the Sixth China Food Safety Senior Management Dialogue 2015
4. The Top Ten Women Friendly Enterprise—a Charity of Chinese Female Model Ceremony

PROSPECTS

Looking ahead in the fourth quarter of 2015, despite of the relatively significant downward momentum of the economy in China, the food and beverage industry is expected to maintain a low growth trend, in particular, the high end, health and personalized products have appeared to become the dominating elements in the consumption trend. The purchase location are shifting to emerging channels such as convenience store and electric appliance stores, which will the consumption time and place are all shifting to indoor-based.

In the forthcoming year, as an internal development, the Group will adhere to the principle of, cooperating, efficiency, enhancement, innovation and safety, and focus on the optimization of supply chain information and inventory management, in order to mitigate the low inventory trend in the market and a hole during the forthcoming year. Additional effort will be devoted to seek cooperation in e-commerce, and to expand the exploration and control over modern channel. Production line will be optimized to a top priority for the production of products with high end specification and to enhance the production capacity under the supply chain strategy in future. In the meantime, affraining will be conducted during the beverage launch. Channel development will continue to optimize and in order to control will enhance. The alliance between Master Kong-Pepi will be further integrated in terms of manpower, which will increase the planning ability of the organization. As an internal development, new business line will be further strengthened, which will bring innovative products to the market to address the diversified demand of the consumer. Meanwhile, new product innovation are also under negotiation with international strategic partner, which is expected to enrich the product line of the Group as a whole.

CORPORATE GOVERNANCE

We have throughout the period ended 30 September 2015, complied with the code provision of the Corporate Governance Code (the CG Code) as set out in Appendix 14 of 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 role 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 Chen-Hien Wei as the Chief Executive Officer of the Group. Mr. James Wei was the former Chief Executive Officer of the Food Beverage 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 Director and independent non-executive Director of our Company do not have a specific term of appointment. However, the article of association of our Company provides that all the Directors are subject to re-election by a resolution at a general meeting, and 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, efficient measure has been put in place to ensure our Company's corporate governance practice in this aspect provides efficient protection for the interest of shareholder as standard commentaries in the code.

We will periodically review and improve our corporate governance practice 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 the preparation of the financial statements of the Group in accordance with applicable requirements and applicable accounting standards. The Directors also ensure the publication of the financial statements of the Group in a timely manner.

Audit Committee

The Audit Committee currently has three Independent Non-executive Directors, Mr. Lee Tiong-Hock, Mr. Hui Shin-Chun and Mr. Hirom Fukuda. Mr. Lee Tiong-Hock is the chairman of the Committee. The latest meeting of the Committee was held on 10th of the Group for his period.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee now comprises three Independent Non-executive Directors, Mr. Hui Shin-Chun, Mr. Lee Tiong-Hock and Mr. Hirom Fukuda. Mr. Hui Shin-Chun is the chairman of the Committee. The Committee also is responsible to consider and approve the remuneration package of the senior employees of the Group, including the term of salary and bonus scheme and other long-term incentive scheme. The Committee also reviews the structure, size and composition of the Board from time to time and recommend to the Board on appointment 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 loss, to ensure proper maintenance of books and records for the provision of reliable financial information for internal, external, and other compliance related legislation and regulation.

Compliance with the Model Code

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

PURCHASE, SALE OR REDEMPTION OF SHARES

Other than the Company's repurchase of 1,238,000 shares during the period for approximately US\$2.219 million, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the period. All shares repurchased have been cancelled and will not be reissued or re-sold.

SHARE OPTION SCHEME

At the extraordinary general meeting held on 20 March 2008, the shareholders approved the adoption of the Share Option Scheme. Details of arrangements for the share option scheme are set out below (Table A).

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

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

BOARD OF DIRECTORS

At the date of this announcement, Mr. Wei Ing-Chou, Mr. Ichiro Ida, Mr. Wing-Yi, Mr. Teo Nagano, Mr. Wei Hong-Ming and Mr. Koji Shinohara are Executive Directors of the Company. Mr. Hiroshi Shinohara, Mr. Lee Tiong-Hock and Mr. Hiroshi Fukuda are Independent Non-Executive Directors of the Company.

Order of the Board
Wei Ing-Chou
Chairman

Shanghai, the PRC, 16 November 2015

Web site: <http://www.merkong.com.cn>
http://www.iraia.com/li_co/hk/ing

* For identification purposes only