SUMMARY

	RMB'000	For the three months ended 30 June 2018	2017	Change	For the six months ended 30 June 2018	2017	Change
•	Revenue	15,959,080	14,370,083	↑ 11.06%	30,996,144	28,567,722	↑ 8.50%
•	Gross margin	32.71%	30.15%	↑ 2.56 ppt.	31.23%	29.10%	↑ 2.13 ppt.
•	Gross profit of the Group	5,220,618	4,332,709	↑ 20.49%	9,680,408	8,313,493	↑ 16.44%
•	EBITDA	1,925,114	1,610,783	↑ 19.51%	3,740,573	3,343,401	↑ 11.88%
•	*EBITDA	1,960,112	1,610,783	↑ 21.69%	3,900,746	3,343,401	↑ 16.67%
•	Profit for the period	773,235	405,283	↑ 90.79%	1,488,294	880,150	↑ 69.10%
•	Profit attributable to owners of the Company	594,416	266,700	↑ 122.88%	1,306,478	700,204	↑ 86.59%
•	Earnings per share (RMB cents)						
	Basic	10.58	4.76	↑ 5.82 cents	23.26	12.49	↑ 10.77 cents
	Diluted	10.56	4.76	↑ 5.80 cents	23.21	12.49	↑ 10.72 cents

As at 30 June 2018, cash and cash equivalents was RMB12,318.883 million, representing an increase of RMB2,033.994 million when compared to 31 December 2017. Gearing ratio was -7.08%.

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

2018 INTERIM 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 six months ended 30 June 2018 together with the comparative figures for the corresponding period in 2017. These unaudited condensed consolidated interim financial statements have been reviewed by the audit committee of the Company (the "Audit Committee").

CONDENSED CONSOLIDATED INCOME STATEMENT

For the Three Months and Six Months Ended 30 June 2018

	Note	**April to June 2018** *(Unaudited)* *RMB'000*	**January to June 2018** *(Unaudited)* *RMB'000*	**April to June 2017** *(Unaudited)* *RMB'000*	**January to June 2017** *(Unaudited)* *RMB'000*
Revenue	2	15,959,080	30,996,144	14,370,083	28,567,722
Cost of sales		(10,738,462)	(21,315,736)	(10,037,374)	(20,254,229)
Gross profit		5,220,618	9,680,408	4,332,709	8,313,493
Other revenue		84,547	163,926	62,719	117,301
Other net income (expenses)		59,953	633,922	159,913	294,162
Distribution costs		(3,437,364)	(6,167,114)	(3,045,951)	(5,658,149)
Administrative expenses		(612,794)	(1,239,210)	(547,003)	(1,061,405)
Other operating expenses		(186,059)	(948,567)	(251,076)	(484,714)
Finance costs	5	(107,594)	(222,515)	(139,446)	(270,370)
Share of results of associates and joint ventures		52,400	95,701	45,867	94,702
Profit before taxation	5	1,073,707	1,996,551	617,732	1,345,020
Taxation	6	(300,472)	(508,257)	(212,449)	(464,870)
Profit for the period		773,235	1,488,294	405,283	880,150
Profit attributable to:					
Owners of the Company		594,416	1,306,478	266,700	700,204
Non-controlling interests		178,819	181,816	138,583	179,946
Profit for the period		773,235	1,488,294	405,283	880,150
Earnings per share	7				
Basic		RMB 10.58 cents	RMB 23.26 cents	RMB 4.76 cents	RMB 12.49 cents
Diluted		RMB 10.56 cents	RMB 23.21 cents	RMB 4.76 cents	RMB 12.49 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Three Months and Six Months Ended 30 June 2018

	April to June 2018 (Unaudited) RMB'000	January to June 2018 (Unaudited) RMB'000	April to June 2017 (Unaudited) RMB'000	January to June 2017 (Unaudited) RMB'000
Profit for the period	773,235	1,488,294	405,283	880,150
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)	(12,397)	–	–
Items that are or may be reclassified subsequently to profit or loss:				
Exchange differences on consolidation	(412,296)	(129,520)	59,369	112,710
Fair value changes in available-for-sale financial assets	–	–	6,538	5,608
Reclassification adjustments relating to available-for-sale financial assets disposed of during the period	–	–	(28,733)	(36,078)
Other comprehensive (loss) income for the period	(424,693)	(141,917)	37,174	82,240
Total comprehensive income for the period	348,542	1,346,377	442,457	962,390
Total comprehensive income attributable to:				
Owners of the Company	202,018	1,176,923	300,460	784,382
Non-controlling interests	146,524	169,454	141,997	178,008
	348,542	1,346,377	442,457	962,390

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2018

	Note	At 30 June 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		26,332,726	28,014,779
Prepaid lease payments		3,673,938	3,730,767
Intangible asset		183,277	162,936
Goodwill		97,910	97,910
Interest in associates		128,980	120,568
Interest in joint ventures		746,661	660,691
Financial assets at fair value through profit or loss		461,143	—
Financial assets at fair value through other comprehensive income		118,819	—
Available-for-sale financial assets		—	638,526
Other non-current assets		317,964	317,964
Deferred tax assets		572,834	308,010
		33,749,252	35,158,151
Current assets			
Inventories		3,116,920	2,396,941
Trade receivables	9	1,913,985	1,636,385
Tax recoverable		—	23,393
Prepayments and other receivables		3,358,326	4,599,397
Pledged bank deposits		94,348	58,312
Bank balances and cash		12,224,535	10,226,577
		20,708,114	18,941,005
Total assets		54,457,366	54,099,156

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2018

	Note	At 30 June 2018 (Unaudited) *RMB'000*	At 31 December 2017 (Audited) *RMB'000*
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	10	235,198	235,053
Share premium		662,373	611,736
Reserves		17,835,807	17,565,290
Total capital and reserves attributable to owners of the Company		18,733,378	18,412,079
Non-controlling interests		3,944,256	3,881,965
Total equity		22,677,634	22,294,044
Non-current liabilities			
Financial liabilities at fair value through profit or loss		–	5,258
Long-term interest-bearing borrowings	11	5,580,129	6,608,953
Other non-current liabilities		–	40,000
Employee benefit obligations		108,458	101,226
Deferred tax liabilities		1,015,222	1,070,026
		6,703,809	7,825,463
Current liabilities			
Trade payables	12	8,624,516	7,119,423
Other payables and deposits received		9,639,558	7,417,032
Current portion of interest-bearing borrowings	11	5,412,259	7,775,320
Financial liabilities at fair value through profit or loss		36,553	37,448
Advance payments from customers		1,036,577	1,284,590
Taxation		326,460	345,836
		25,075,923	23,979,649
Total liabilities		31,779,732	31,805,112
Total equity and liabilities		54,457,366	54,099,156
Net current assets (liabilities)		(4,367,809)	(5,038,644)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 June 2018

	Attributable to owners of the Company					
	Issued capital (Unaudited) *RMB'000*	**Share premium (Unaudited)** *RMB'000*	**Reserves (Unaudited)** *RMB'000*	**Total capital and reserves (Unaudited)** *RMB'000*	**Non-controlling interests (Unaudited)** *RMB'000*	**Total Equity (Unaudited)** *RMB'000*
At 1 January 2017	234,767	523,278	17,365,495	18,123,540	5,977,039	24,100,579
Profit for the period	–	–	700,204	700,204	179,946	880,150
Other comprehensive income (loss):						
Exchange differences on consolidation	–	–	114,648	114,648	(1,938)	112,710
Fair value changes in available-for-sale financial assets	–	–	5,608	5,608	–	5,608
Reclassification adjustments relating to available-for-sale financial assets disposed of during the period	–	–	(36,078)	(36,078)	–	(36,078)
Total other comprehensive income (loss)	–	–	84,178	84,178	(1,938)	82,240
Total comprehensive income for the period	–	–	784,382	784,382	178,008	962,390
Transactions with owners:						
Contributions and distribution						
Equity settled share-based transactions	–	–	39,252	39,252	–	39,252
Shares issued under share option scheme	11	3,484	(845)	2,650	–	2,650
Put options written to a non-controlling shareholder	–	–	(3,989,293)	(3,989,293)	–	(3,989,293)
2016 final dividend approved and paid	–	–	(580,849)	(580,849)	(89,252)	(670,101)
Total transactions with owners	11	3,484	(4,531,735)	(4,528,240)	(89,252)	(4,617,492)
At 30 June 2017	234,778	526,762	13,618,142	14,379,682	6,065,795	20,445,477

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Six Months Ended 30 June 2018

	Attributable to owners of the Company					
	Issued capital (Unaudited) *RMB'000*	Share premium (Unaudited) *RMB'000*	Reserves (Unaudited) *RMB'000*	Total capital and reserves (Unaudited) *RMB'000*	Non-controlling interests (Unaudited) *RMB'000*	Total Equity (Unaudited) *RMB'000*
At 1 January 2018	235,053	611,736	17,565,290	18,412,079	3,881,965	22,294,044
Profit for the period	–	–	1,306,478	1,306,478	181,816	1,488,294
Other comprehensive loss:						
Exchange differences on consolidation	–	–	(117,158)	(117,158)	(12,362)	(129,520)
Fair value change in financial assets at fair value through other comprehensive income	–	–	(12,397)	(12,397)	–	(12,397)
Total other comprehensive loss	–	–	(129,555)	(129,555)	(12,362)	(141,917)
Total comprehensive income for the period	–	–	1,176,923	1,176,923	169,454	1,346,377
Transactions with owners:						
Contributions and distribution						
Equity settled share-based transactions	–	–	15,685	15,685	–	15,685
Shares issued under share option scheme	145	50,637	(12,552)	38,230	–	38,230
2017 dividend approved	–	–	(909,539)	(909,539)	(107,163)	(1,016,702)
Total transactions with owners	145	50,637	(906,406)	(855,624)	(107,163)	(962,787)
At 30 June 2018	235,198	662,373	17,835,807	18,733,378	3,944,256	22,677,634

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months Ended 30 June 2018

	January to June 2018 (Unaudited) *RMB'000*	January to June 2017 (Unaudited) *RMB'000*
OPERATING ACTIVITIES		
Cash generated from operations	5,504,168	4,717,711
The People's Republic of China ("PRC") enterprise income tax paid	(823,682)	(748,229)
Interest paid	(221,010)	(262,113)
Net cash from operating activities	4,459,476	3,707,369
INVESTING ACTIVITIES		
Interest received	163,926	117,301
Purchase of property, plant and equipment	(742,352)	(463,358)
Prepaid lease payments	(12,956)	(12,150)
Net cash inflow on disposal of a subsidiary	284,987	—
Net movement of amounts due from former subsidiaries	1,302,005	—
Others	167,133	75,254
Net cash from (used in) investing activities	1,162,743	(282,953)
FINANCING ACTIVITIES		
Dividends paid to non-controlling interests	(108,817)	(98,975)
Proceeds from bank and other borrowings	1,103,557	4,208,992
Repayments of bank and other borrowings	(4,633,006)	(7,362,493)
Others	38,230	2,650
Net cash used in financing activities	(3,600,036)	(3,249,826)
Net increase in cash and cash equivalents	2,022,183	174,590
Cash and cash equivalents at 1 January	10,284,889	10,231,812
Effect on exchange rate changes	11,811	(13,362)
Cash and cash equivalents at 30 June	12,318,883	10,393,040
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	12,224,535	10,270,552
Pledged bank deposits	94,348	122,488
	12,318,883	10,393,040

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The Directors are responsible for the preparation of the Group's unaudited condensed consolidated interim financial statements. These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These condensed consolidated interim financial statements should be read in conjunction with the 2017 annual financial statements. The accounting policies adopted in preparing the condensed consolidated interim financial statements for the six months ended 30 June 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	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 June 2018 (Unaudited)** *RMB'000*	**January to June 2017 (Unaudited)** *RMB'000*
Revenue from contracts with customers	2(a)	30,959,901	28,535,157
Revenue from other sources - Rental income from investment properties		36,243	32,565
		30,996,144	28,567,722

2(a). Disaggregation of revenue

	For the Six Months ended 30 June 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	11,134,250	–	–	–	11,134,250
Sales on beverages	–	19,147,938	–	–	19,147,938
Sales on bakery	–	–	385,269	–	385,269
Transportation	–	–	–	588,178	588,178
Others	–	–	–	390,743	390,743
	11,134,250	19,147,938	385,269	978,921	31,646,378
Less: Elimination	(352)	(979)	(175)	(684,971)	(686,477)
	11,133,898	19,146,959	385,094	293,950	30,959,901
Timing of revenue recognition:					
Products transferred at a point in time	11,133,898	19,146,959	385,094	293,950	30,959,901

	For the Six Months ended 30 June 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	10,271,778	–	–	–	10,271,778
Sales on beverages	–	17,536,605	–	–	17,536,605
Sales on bakery	–	–	398,008	–	398,008
Transportation	–	–	–	440,959	440,959
Others	–	–	–	405,641	405,641
	10,271,778	17,536,605	398,008	846,600	29,052,991
Less: Elimination	(327)	(723)	(157)	(516,627)	(517,834)
	10,271,451	17,535,882	397,851	329,973	28,535,157
Timing of revenue recognition:					
Products transferred at a point in time	10,271,451	17,535,882	397,851	329,973	28,535,157

3. Segment information

Segment results

	For the Six Months ended 30 June 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	11,133,898	19,146,959	385,094	293,950	–	30,959,901
Revenue from other sources	–	–	–	36,243	–	36,243
Inter-segment revenue	352	979	175	735,111	(736,617)	–
Segment revenue	11,134,250	19,147,938	385,269	1,065,304	(736,617)	30,996,144
Segment results after finance cost	979,811	619,550	(4,731)	302,163	163	1,896,956
Share of results of associates and joint ventures	62	96,114	(475)	–	–	95,701
Unallocated income, net	–	–	–	3,894	–	3,894
Profit (loss) before taxation	979,873	715,664	(5,206)	306,057	163	1,996,551
Taxation	(312,920)	(177,269)	(2,599)	(15,469)	–	(508,257)
Profit (loss) for the period	666,953	538,395	(7,805)	290,588	163	1,488,294

	For the Six Months ended 30 June 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	10,271,451	17,535,882	397,851	329,973	–	28,535,157
Revenue from other sources	–	–	–	32,565	–	32,565
Inter-segment revenue	327	723	157	566,177	(567,384)	–
Segment revenue	10,271,778	17,536,605	398,008	928,715	(567,384)	28,567,722
Segment results after finance cost	735,741	483,773	(10,994)	6,361	5,807	1,220,688
Share of results of associates and joint ventures	–	98,383	(3,681)	–	–	94,702
Unallocated income, net	–	–	–	29,630	–	29,630
Profit (loss) before taxation	735,741	582,156	(14,675)	35,991	5,807	1,345,020
Taxation	(203,461)	(243,791)	–	(17,618)	–	(464,870)
Profit (loss) for the period	532,280	338,365	(14,675)	18,373	5,807	880,150

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 June 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	17,765,287	29,436,047	770,249	5,930,490	(900,310)	53,001,763
Interest in associates	–	128,980	–	–	–	128,980
Interest in joint ventures	250	699,481	46,930	–	–	746,661
Unallocated assets						579,962
Total assets						54,457,366
Segment liabilities	6,908,149	17,012,338	251,243	8,923,321	(1,423,777)	31,671,274
Unallocated liabilities						108,458
Total liabilities						31,779,732

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:

	April to June 2018 (Unaudited) *RMB'000*	January to June 2018 (Unaudited) *RMB'000*	April to June 2017 (Unaudited) *RMB'000*	January to June 2017 (Unaudited) *RMB'000*
Finance costs				
Interest on bank and other borrowings wholly repayable within five years	99,151	205,564	129,903	251,753
Interest on bank and other borrowings wholly repayable over five years	8,443	16,951	9,543	18,617
	107,594	222,515	139,446	270,370
Other items				
Depreciation	801,003	1,630,449	890,880	1,795,409
Amortisation	27,357	54,984	25,444	49,903
Impairment loss of property, plant and equipment (included in other operating expense)	34,998	575,249	62,847	73,852

6. Taxation

	April to June 2018 (Unaudited) *RMB'000*	January to June 2018 (Unaudited) *RMB'000*	April to June 2017 (Unaudited) *RMB'000*	January to June 2017 (Unaudited) *RMB'000*
Current tax – the PRC Enterprise income tax				
Current period	319,044	672,271	194,913	412,617
Deferred taxation				
Origination and reversal of temporary differences, net	(68,648)	(233,988)	(6,327)	1,179
Effect of withholding tax on the distributable earnings of the Group's PRC subsidiaries	50,076	69,974	23,863	51,074
Total tax charge for the period	300,472	508,257	212,449	464,870

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

Hong Kong Profits Tax has not been provided as the Group's entities had no assessable profit subject to Hong Kong Profits Tax for the six months ended 30 June 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% (2016: 15%).

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

7. Earnings per share

a) Basic earnings per share

	April to June 2018 (Unaudited) *RMB'000*	January to June 2018 (Unaudited) *RMB'000*	April to June 2017 (Unaudited) *RMB'000*	January to June 2017 (Unaudited) *RMB'000*
Profit attributable to ordinary shareholders (RMB'000)	594,416	1,306,478	266,700	700,204
Weighted average number of ordinary shares ('000)	5,617,196	5,616,614	5,604,798	5,604,651
Basic earnings per share (RMB cents)	10.58	23.26	4.76	12.49

b) Diluted earnings per share

	April to June 2018 (Unaudited) *RMB'000*	January to June 2018 (Unaudited) *RMB'000*	April to June 2017 (Unaudited) *RMB'000*	January to June 2017 (Unaudited) *RMB'000*
Profit attributable to ordinary shareholders (RMB'000)	594,416	1,306,478	266,700	700,204
Weighted average number of ordinary shares (diluted) ('000)				
Weighted average number of ordinary shares	5,617,196	5,616,614	5,604,798	5,604,651
Effect of the Company's share option scheme	12,585	11,663	2,956	1,943
Weighted average number of ordinary shares for the purpose of calculated diluted earnings per share	5,629,781	5,628,277	5,607,754	5,606,594
Diluted earnings per share (RMB cents)	10.56	23.21	4.76	12.49

8. Dividend

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 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 June 2018 (Unaudited) *RMB'000*	At 31 December 2017 (Audited) *RMB'000*
0 - 90 days	1,820,121	1,517,678
Over 90 days	93,864	118,707
	1,913,985	1,636,385

10. Issued capital

	At 30 June 2018 (Unaudited)			At 31 December 2017 (Audited)		
	No. of shares	US$'000	Equivalent to RMB'000	No. of shares	US$'000	Equivalent to RMB'000
Authorised:						
Ordinary shares of US$0.005 each	7,000,000,000	35,000		7,000,000,000	35,000	
Issued and fully paid:						
At the beginning of the period/year	5,613,229,360	28,067	235,053	5,604,501,360	28,023	234,767
Shares issued under share option scheme	4,549,000	23	145	8,728,000	44	286
At the end of the reporting period	5,617,778,360	28,090	235,198	5,613,229,360	28,067	235,053

During the reporting period, 4,549,000 options were exercised to subscribe for 4,549,000 ordinary shares of the Company at a total consideration of RMB38,230,000 of which RMB145,000 was credited to share capital and the balance of RMB38,085,000 was credited to the share premium account. In addition, RMB12,552,000 has been transferred from the share-based payment reserve to the share premium account.

11. Interest-bearing borrowings

	At 30 June 2018 (Unaudited) *RMB'000*	At 31 December 2017 (Audited) *RMB'000*
The maturity of the interest bearing borrowings:		
Within one year	5,412,259	7,775,320
In the second year	2,757,537	3,506,766
In the third year to the fifth years, inclusive	2,382,984	2,635,937
Over five years	439,608	466,250
	10,992,388	14,384,273
Portion classified as current liabilities	(5,412,259)	(7,775,320)
Non-current portion	5,580,129	6,608,953

The interest-bearing borrowings consist of unsecured bank loans and notes payable with maturity within one year (2017: in the second year). On 6 August 2015, the Company issued notes (the "RMB Notes") with an aggregate principal amount of RMB1,000,000,000. The carrying amount of the RMB Notes at the end of reporting period is RMB999,749,000 (2017: RMB998,244,000). The RMB Notes are listed on the Singapore Exchange Securities Trading Limited. The fair value of the RMB Notes as at 30 June 2018 was RMB999,480,000 (2017: RMB999,330,000).

During the six months ended 30 June 2018, the Group obtained bank loans in aggregate amount of RMB1,103,557,000 (2017: RMB4,208,992,000) and recognised amortised interest of the RMB Notes and other unsecured notes for an aggregate amount of RMB1,505,000 (2017: RMB8,257,000). Repayments of bank loans amounting to RMB4,633,006,000 (2017: RMB3,978,893,000) were made in line with previously disclosed repayment term.

12. Trade payables

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

	At 30 June 2018 (Unaudited) *RMB'000*	At 31 December 2017 (Audited) *RMB'000*
0 - 90 days	7,760,517	6,335,339
Over 90 days	863,999	784,084
	8,624,516	7,119,423

13. Disposal of a subsidiary

During the period, the Group entered into a sales and purchase agreement with an independent third party to sell the entire equity interest in a wholly-owned subsidiary at a consideration of approximately RMB307,173,000. The subsidiary was principally engaged in leasing and property management. The disposal was completed in March 2018. The net liabilities of such subsidiary at the date of disposal were amounting to approximately RMB83,896,000. As a result, the surplus on disposal of a subsidiary of RMB391,069,000 was recognised in profit or loss and recorded as other net income (expenses).

14. Fair Value Measurements

(a) Financial assets and liabilities carried at fair value

The following table presents the assets and liabilities measured at fair value or required to disclose their fair value in these condensed consolidated financial statements on a recurring basis at 30 June 2018 across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair Value Measurement*, with the fair value measurement categorised in its entirety based on the lowest level of input that is significant to the entire measurement. The levels are defined as follows:

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

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

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

	At 30 June 2018 (Unaudited)				**At 31 December 2017 (Audited)**			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets								
Available-for-sale financial assets								
– Investment funds	–	–	–	–	–	–	504,359	504,359
– Equity securities	–	–	–	–	–	–	110,722	110,722
Financial assets at fair value through profit or loss								
– Investment funds	–	–	460,377	460,377	–	–	–	–
– Equity securities	766	–	–	766	–	–	–	–
Financial assets at fair value through other comprehensive income								
– Equity securities	–	–	118,819	118,819	–	–	–	–
	766	–	579,196	579,962	–	–	615,081	615,081
Liabilities								
Financial liabilities at fair value through profit or loss								
– Contingent consideration payable	–	–	5,258	5,258	–	–	5,258	5,258
– Derivatives not designated as hedging instruments	–	31,295	–	31,295	–	37,448	–	37,448
	–	31,295	5,258	36,553	–	37,448	5,258	42,706

During the six months ended 30 June 2018 and 2017, there was no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

14. Fair Value Measurements *(continued)*

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

The details of the movements of the recurring fair value measurements categorised as Level 3 of the fair value hierarchy for the six months ended 30 June 2018 and 2017 are shown as follows:

	30 June 2018 (Unaudited)			30 June 2017 (Unaudited)		
	Assets		Liabilities	Assets		Liabilities
	Investment Funds *RMB'000*	Equity securities *RMB'000*	Contingent consideration payable *RMB'000*	Investment Funds *RMB'000*	Equity securities *RMB'000*	Contingent consideration payable *RMB'000*
At beginning of the period	504,359	110,722	(5,258)	487,054	130,757	–
Reclassification under adoption of HKFRS 9	–	21,971	–	–	–	–
Purchases	2,621	–	–	–	–	
Disposals	(66,848)	(3,586)	–	(61,941)	–	–
Total gains or (losses) recognised:						
– in profit or loss	12,724	–	–	–	–	–
– in other comprehensive income	–	(12,397)	–	5,608	–	–
Exchange differences	7,521	2,109	–	(12,301)	(3,357)	–
At the end of the reporting period	460,377	118,819	(5,258)	418,420	127,400	–
Total gains or (losses) for the period reclassified from other comprehensive income on disposals	–	–	–	36,078	–	–
Change in unrealised gain or (losses) for the period included in profit or loss for assets and liabilities held at the end of the reporting period	5,928	–	–	–	–	–

14. Fair Value Measurements *(continued)*

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

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

(i) Financial assets at fair value through profit or loss: Investment funds

As at 30 June 2018, the Group's financial assets at fair value through profit or loss comprise four investment funds which are categorised as Level 3 (31 December 2017: four Level 3) of the fair value hierarchy.

The fair value of one of the investment funds in Level 3 is based on the net asset value of the investment fund reported to the investors by the investment manager as of the end of the reporting period. For the remaining three (31 December 2017: three) investment funds in Level 3, their fair values are based on the fair values of the companies invested by the funds. All of the investment funds in Level 3 included both listed investments and unlisted investments. The fair value of listed investments is estimated with reference to quoted market price, while the fair value of unlisted investments which is valued by the respective investment managers are estimated by valuation techniques, mainly including using Price/earning ratio (P/E) multiple model, Price/sales (P/S) multiple model and discounted cash flows model. In estimating the fair value of unlisted investments, assumptions are used that are not supported by observable market prices or rates, including the expected annual growth rates, average P/E multiples of comparable companies, average P/S multiples of comparable companies and discount rates.

(ii) Financial assets at fair value through other comprehensive income: Equity securities

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

(iii) Financial assets or liabilities at fair value through profit or loss – Derivatives not designated as hedging instruments

The fair values of cross-currency interest rate swap contracts and interest rate swap contract, which are categorized as Level 2 of the fair value hierarchy, determined based on the present value of the estimated cash flows based on the terms and maturity of each contract, taking into account the spot interest rates, spot and forward foreign exchange rates and interest rate curves.

(iv) Financial liabilities at fair value through profit or loss – Contingent consideration payable

The fair value of contingent consideration payable in Level 3 is determined by using the income approach based on the expected payment amounts and their associated probabilities. When appropriate, it is discounted to present value. In the opinion of the directors, changing one or more of the inputs to reasonably possible alternative assumptions would not change the fair value significantly.

There was no change in valuation techniques during the reporting period. The assumptions of the unobservable inputs used in Level 3 fair value measurement at the end of the reporting period have no significant difference with those used in the Group's annual financial statements for the year ended 31 December 2017.

Sensitivity to changes in significant unobservable inputs

In the opinion of the Directors, the impact of changes in significant unobservable inputs on the Level 3 fair value measurement and the Group's profit and other comprehensive income for the period have no significant difference with those in the Group's annual financial statements for the year ended 31 December 2017, as there was no significant change in the reasonably possible range of significant unobservable inputs for Level 3 fair value measurements as at 30 June 2018 comparing to 31 December 2017.

14. Fair Value Measurements *(continued)*

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

Valuation processes used in Level 3 fair value measurement

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

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

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

In the opinion of the Directors, except for the Unsecured Notes as described in the note 11 to the condensed consolidated financial statements, no other financial assets and liabilities of the Group are carried at amount materially different from their fair values as at 30 June 2018 and 31 December 2017.

15. Capital expenditure commitments

	At 30 June 2018 (Unaudited) *RMB'000*	**At 31 December 2017 (Audited)** *RMB'000*
Contracted but not provided for:		
Expenditures on investment properties and property, plant and equipment	1,067,603	927,244
Investment funds	71,701	106,258
	1,139,304	1,033,502

16. Related party transactions

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

	April to June 2018 (Unaudited) *RMB'000*	**January to June 2018 (Unaudited)** *RMB'000*	**April to June 2017 (Unaudited)** *RMB'000*	**January to June 2017 (Unaudited)** *RMB'000*
(a) Sales of goods to:				
Companies controlled by a substantial shareholder of the Company	44,574	64,805	17,327	50,971
Associates	12,824	20,244	39,272	63,085
Joint ventures	77,287	126,622	93,580	144,869
(b) Purchases of goods from:				
A group of companies jointly controlled by the Company's Directors and their dependent	1,238,059	2,441,945	1,439,664	2,250,906
Joint ventures	30,737	38,133	9,886	14,076

17. Approval of interim financial statements

The interim financial statements of 2018 were approved by the Board of Directors on 27 August 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Macro and Industry environment

In the first half of 2018, the Chinese economy continued the development trend of registering a stable performance with good momentum. GDP grew by 6.8% yoy, and per capita disposable income of residents grew steadily. With the continuous advancement of the structural reform on the supply side, the consumer goods market has grown steadily and rapidly. The urban-rural gap has gradually narrowed, and the overall consumption transformation and upgrading trend has continued.

The packaged food and beverage industry in which the Group operates was restored to stability with growth. However, the accelerated consumption upgrade of residents, the fragmented channels, the high prices of some raw materials, and the adjustment of China's tax policy, international trade friction, exchange rate changes and etc. still brought multiple opportunities and challenges for the Group's development.

BUSINESS REVIEW

In the first half of 2018, the Group grew steadily under the established strategy of "consolidation, innovation and development". By persisting in basing the core products on the mass market, the Group ensured stable cash inflows. Given the instant noodle business has now stabilized, the Group started the product structure adjustment in the beverage business and increased the prices of most of the products. Being confronted with the challenge of the industry environment, the Group continued to drive the supply-side reform, improved the utilization rate of production capacity through light asset and asset activation, and the rationalization of supply chain and capacity allocation; improved operational efficiency through organization delayering and process optimization; and actively explored diversified channels, improved cooperation with distributors at all levels, strengthened channel inventory management, and enhanced brand image and promoted sales through IP cooperation, scenario and sport marketing. In addition, the Group embarked on establishing presence in the high-end market with a view to meeting the diversified consumer demand of the middle class in the future. During the period, Master Kong was included in the "National Brand Project" of Xinhua News Agency, which also established the role of the Group in the national brand power strategy.

In the first half of 2018, the Group's revenue increased by 8.50% to RMB30,996 million yoy (year-on-year compared with the corresponding period in 2017). Revenue from instant noodles and beverages increased by 8.40% and 9.19%, respectively, yoy. 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 for product upgrade, the Group's gross profit margin increased by 2.13 ppt. to 31.23% yoy. Distribution costs represented 19.90% of the revenue for the period and increased by 0.09 ppt. yoy. EBITDA of the Group increased by 11.88% to RMB3,741 million yoy. Profit attributable to owners of the Company during the period grew by 86.59% to RMB1,306 million. Earnings per share increased by RMB10.77 cents to RMB23.26 cents. If the effects of RMB420 million from the income of activation on assets and RMB575 million of the provision of impairment losses on machinery and equipment are excluded, EBITDA of the Group in the first half of 2018 increased by 16.67% to RMB3,901 million yoy.

INSTANT NOODLE BUSINESS

In the first half of 2018, the Chinese instant noodle market continued the warming trend. According to the data from Nielsen, overall sales volume increased by 5.9% yoy while sales amount grew by 10.1% yoy. In the first half of 2018, the market shares of Master Kong in terms of sales volume and sales amount were 43.7% and 49.4%, respectively, maintained No.1 position.

In the first half of 2018, the Group's revenue from the instant noodle business was RMB11,134 million, which grew by 8.40% yoy, accounting for 35.92% 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 and the growth of sales volume, gross profit margin of instant noodles increased by 2.31 ppt. to 29.83%. Benefited from the sales growth, improvement of gross profit margin and decline on distribution costs, profit attributable to owners of the Company in the overall instant noodle business increased by 25.30% to RMB667 million. (If the effects of the income of activation on assets and the provision of impairment losses on machinery and equipment are excluded, profit attributable to shareholders of the instant noodle business in the first half of 2018 increased by 57.92% yoy.)

In the first half year, the instant noodle business continued to push forward the multi-price strategy. It consolidated the high-end noodle markets and developed its premium noodles market to adapt to the consumption upgrade and the demand of consumers for healthiness, and met different consumption scenarios through products with multiple specifications, achieving steady growth in sales. Through sport marketing such as marathon and Pingchang Noodle Restaurant, we continued to invigorate the brand. With respect to food safety, we created the instant noodle oil whole process quality control system and innovatively applied the "TGP" indicator to it, and continued to lead the development of the industry by cooperating with the Chinese aerospace industry to convey the safe and healthy image of instant noodles. In the first half year, the instant noodle business continued to activate assets, optimize asset allocation and production layout, control capital expenditures and further drive production line automation.

High-priced noodles

High-priced noodles continued to consolidate core products to ensure the growth of overall performance, met different consumption scenarios with products with multiple specifications, and stimulated consumer demand with new flavors, supplemented with brand marketing, to attract young families and young consumer groups, and achieve sales growth yoy. The price increase of high-end noodle products at the end of last year was successfully accepted by channels. “Roasted Beef” had deep cooperation with Parent-child Animation (親子動漫) to create a family love scene of “Dream Life, This is the Taste (夢想生活,就是這個味兒)”, attracting young family consumer groups with children; and launched a new package of aerospace version, emphasizing the high-quality image recognized by aerospace. “Pickled Mustard” continued to cooperate with Kung Fu Panda to launch offline promotions, which effectively promoted sales and enhanced brand vitality. “Hot Beef/Stir-fired Beef/Pickled Pepper Beef/Spicy Beef” joined hands with the popular game, “Arena of Vaior”, to carry out sales promotions to rejuvenate the brand image and boost sales.

Premium Noodles/Innovative Products

In order to adapt to the rapid growth of the high-end market and its demand for health, we continued to strengthen high-end product operation with the premium soup series, and deployed an innovative product layout to attract middle class and young metropolitan consumers, achieving sales growth yoy. Premium soup products such as “Pork Rib”, “Golden Stock” and “Pepper” met consumer demand with “nutritious and delicious” and achieved double-digit year-on-year growth in overall sales by combining sport marketing and media placement. Among them, “Golden Stock” cooperated with the popular TV series, “Old Boy”, to enhance brand awareness. “Pork Rib” disseminated itself through social media such as Weibo and xiaohongshu.com to create “Super Dad with the Same Noodle (超級奶爸同款麵)” with young families as the communication target. “Soup Chef” launched new flavors in the market and met the demand of the middle class for health and quality through flavor enhancement without MSG. Non-fried “DIY noodle” put emphasis on sport marketing and continued to carry out the “Caring Companion Plan” with Lang Ping/Zhu Ting.

Mid-end Noodles/Snack Noodles

Mid-end noodles focused on consolidating the market. The “Jin Shuang Series” met the affordable consumer demand at a moderate price to ensure a leading market share. Snack noodles, “Xiang Bao Cui”, speeded up product upgrading, with new flavors launched taking advantage of the start of school and Children’s day, and cooperated with well-known mobile games to win the favor of young consumers.

BEVERAGE BUSINESS

According to the data from Nielsen, the growth of the beverage industry in China was steady in the first half of 2018. The sales volume and sales amount grew by 3.4% and 5.0%, respectively, yoy in the first half of 2018. In the first half of 2018, 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 fruit juice brands under Master Kong and Tropicana accounted for a market share of 15.4%, ranking No.2 in the market. Market share for bottled water was 10.3%, ranking No.3 in the market for the time being. According to the data from a third party research company, in terms of sales volume, the overall market share of Pepsi carbonated drinks was 31.9% in the first half year, ranking No.2 in the market. The market share of Pepsi Cola was 48.3% in the cola carbonated drinks market, ranking No.1 in the market.

In the first half of 2018, the overall revenue of the beverage business was RMB19,148 million, grew by 9.19% yoy, accounting for 61.78% of the Group’s total revenue. During the period, gross profit margin of the beverage business increased by 2.08 ppt. to 32.13% yoy, mainly due to product upgrade and price adjustments on certain products. Due to revenue growth and gross profit margin improved during the period, the profit attributable to shareholders of the beverage business in the first half of 2018 was RMB369 million, grew by 122.63% yoy. (If the effect of the provision of impairment losses on machinery and equipment is excluded, profit attributable to shareholders of the beverage business in the first half of 2018 increased by 215.55% yoy.)

The beverage business continued to focus on core product categories and products to meet the mass consumption demand, and implemented product structural adjustments to increase prices for most of the products and achieve sales growth in the first half of the year. While consolidating outdoor channels, we drove the development of indoor channels. We invested in brand building and boosted sales through scenario marketing and IP cooperation, etc. We also continued to push forward asset activation and light assets, optimized the supply chain layout, and improved supply chain synergies.

RTD Tea

With consolidating the mass consumption market with core products as a prerequisite, RTD tea promoted product price increases and reduced the medium packaging capacity to meet the consumer demand, and attracted young consumers and household consumer groups through scenario marketing, sport marketing and IP cooperation, which facilitated the year-on-year growth of product category performance. “Master Kong Ice Tea” promoted its brand and increased sales by establishing the NBA championship theme store in Shanghai; and launched the “Toy Story” Tetra Pak through IP cooperation to attract spending by young families and parents. It also attracted young consumer groups through IP cooperation with “Monster Hunt 2” and “Produce 101” to achieve overall sales growth. “Green Tea” launched IP cooperation with Tencent’s animation, “Douro Mainland”, to expand consumer groups. The “Jasmine Series” continued its romantic scenario marketing, and joined hands with Tencent QQ Music to launch a music confession bottle to attract young consumers. The Milk Tea Series promoted sales growth through the new flavor of “Cheese Milk Tea” and festival occasion marketing.

Bottled Water

Based on the multiple price range strategy, the product structure was adjusted in response to the consumption upgrade, and the needs of different consumption scenarios were met with multiple specifications. “Master Kong bottled drinking water” was upgraded and its price was increased. The reassuring quality of water produced by the “eight processes with national patents” was emphasized and a large package was launched to expand the household demand. With its NSF-certified-internationally high quality, “Youyue” continued to attract white-collar consumer groups. In the first half year, high-end product natural mineral water, “Han Yang Quan”, was launched, highlighting its high quality and cultural attributes, and became the designated water for “NPC & CPPCC Special Interview with Xinhuanet in 2018 (新華網2018全國兩會特別訪談)” and “Shenzhen Cultural Expo (深圳文化博覽會)” to attract middle and high-end consumers.

Carbonated Drinks

Carbonated drinks continued to introduce new specifications such as new packaging, new flavors and sleek cans, and carried out full channel construction and expanded into low-tier cities. They also focused on different marketing themes and communicated with consumers in a targeted manner to achieve steady growth in sales. “Pepsi” launched the theme of “Love it, Live it” in summer to convey the brand spirit of unbridled love and pursuing dreams to consumers and enhanced sales. Through the creative animation bottle body and the new flavor of lychee and online sales, “Mirinda” enhanced the brand image of “Mess with Your Senses” to attract young consumers. “7 up” deeply operated the food and beverage channel and occupied the lemon-flavored carbonated market through “2018 Limited Can” and “7 up Mixing Drink”.

Juice Drinks

We adjusted product prices of some products to adapt to the trend of consumption upgrading, continued to consolidate our leading position in Chinese style juice drinks and promoted the sales of Western-style juice products by introducing new flavors, creating consumption scenarios and expanding catering channels. Chinese style juice drink “Rock Candy Pear” with its new flavor of rock candy pomelo and multiple specification packaging strengthened its penetration into the catering channels. “The Tradition Sweet-Sour Plum Juice”, with its Chinese classic drink image, continued to meet the demands in the catering channels. Western style juice drink “Master Kong Juices” focused on promoting large-package sales during festive scenarios. “Light Fruits (輕養果薈)” launched the new flavor of “Peach Flavor Drink” to attract new white-collar workers. “Tropicana” launched the new flavor of pineapple lemon, upgraded the product packaging, and used a variety of specifications to meet the needs of different consumption scenarios such as dining together and take-out and promote sales growth.

Functional Drinks/Probiotics Drinks/Coffee Drinks

Functional drink “Gatorade” continued to build the first brand image of sports drinks, further established the link between products and sport scenarios, used the new theme “Nothing Beats Gatorade” to communicate with consumers, and enhanced consumer viscosity through co-branded marketing activities comprising sports events, sports venues and mobile phone sports software to increase sales.

“Wei Chuan Ambient Probiotics Drink” met the demand of consumers for nutrition and quality. Positive and healthy growth in sales was achieved in a variety of ways: While consolidating the advantageous areas, we actively developed the potential areas; actively deployed new channels and accelerated the development of the dairy channels; met the differentiated scenario demand through festive gift box packaging; and actively planned new flavors subsequent to the original and strawberry flavors.

We continued to expand in China's RTD coffee market, 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 priced market so as to maintain sustained sales growth. Starbucks continued to launch new products. The "Frappuccino" series introduced a new low-fat and reduced-sugar product called "Starbucks Light Frappuccino-Vanilla Flavor". In the second quarter, the new canned "Doubleshot" series was launched to attract young white-collar workers with four flavors; and to accelerate regional expansion and focus on the development of the e-commerce and special channels. "Bernachon coffee" met consumer demands with various flavors, and promoted its professional brand image using the precision marketing model to promote sales growth.

INSTANT FOOD BUSINESS

According to the data from Nielsen, overall sales volume of the biscuit market for the first half of 2018 decreased by 0.2% yoy, sales amount increased by 5.2% yoy, of which sales volume of sandwich crackers decreased by 1.8% and sales amount increased by 6.8% yoy. In terms of sales amount, the market share of Master Kong egg rolls increased to 24.5% and ranked No.1 in the market. The market share of sandwich crackers was 10.3% and ranked No.2 in the market.

In the first half of 2018, revenue of the instant food business was RMB385 million, which dropped by 3.20% yoy and amounted to 1.24% of the Group's total revenue. Gross profit margin increased by 1.17 ppt. to 35.41%. Thanked for the savings from distribution costs and administrative expenses, the loss attributable to owners of instant food business narrowed to RMB7.81 million, improved by 46.81% yoy.

In the first half year, the instant food business actively promoted the established strategy, and continued to focus on its core operation of cake and cracker product categories, introduced products of multiple specifications to cater to different consumption occasions, and focused on demands for healthy diet among middle-class. Emerging channels were vigorously established, and dealers' choices were optimized. Product price adjustment was implemented gradually. Cost refinement projects were launched and product line automated transformation was accelerated, so as to reduce the stress from increasing raw material prices. 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 enjoyed steady growth, especially the "3+2 wheat germ sandwich crackers" targeting middle-class consumers continued to develop steadily.

FINANCING

The Group continued to maintain a stable and healthy financial structure through effective control of trade receivables, trade payables, bank balances and cash and inventories. As at 30 June 2018, the Group's cash and bank deposits totalled RMB12,319 million, an increase of RMB2,034 million from 31 December 2017. A sufficient amount of cash holding was still maintained. As at 30 June 2018, the Group's total assets and total liabilities amounted to approximately RMB54,457 million and RMB31,780 million respectively. This showed an increase in RMB358 million and a decrease in RMB25 million respectively compared to 31 December 2017. The debt ratio decreased by 0.43 ppt. to 58.36% compared to 31 December 2017. Gearing ratio was dropped to -7.08% from 22.26% as at 31 December 2017.

As at 30 June 2018, the Group's total interest bearing borrowings was RMB10,992 million which decreased by RMB3,392 million 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 79% and 21% respectively, as compared to 69% and 31% respectively as at 31 December 2017. The proportion between the Group's long-term borrowings and short-term borrowings was 51% and 49% respectively, as compared to 46% and 54% respectively as at 31 December 2017. In line with the Group's overall strategy of cash being the king, The Group has implemented sound control over capital expenditure and has effectively promoted asset-light and activation on asset, which is expected to generate stable cash inflows. In the future, the Group will continue to gradually reduce the size of interest-bearing borrowings with its own funds so as to achieve more flexible and healthier financial structure objectives and further improve the operational basis.

During the period, Renminbi appreciated against US dollar by 2.57%, due to the fluctuation of exchange rate, realized/unrealized exchange gains of RMB40.56 million has been recognized in the Group's income statement from January to June 2018.

Financial Ratio

	As at 30 June 2018	As at 31 December 2017
Finished goods turnover	13.77 Days	11.31 Days
Trade receivables turnover	10.37 Days	9.99 Days
Current ratio	0.83 Times	0.79 Times
Debt ratio (Total liabilities to total assets)	58.36%	58.79%
Gearing ratio (Net debt to equity attributable to owners of the Company)	-7.08%	22.26%

HUMAN RESOURCES

As of 30 June 2018, the Group had 54,458 employees (30/06/2017: 60,449 employees). The Group continued to focus on strategic talent layout and talent development. Through various means such as talent localization, management rejuvenation and talent diversification, the Group promoted the improvement of the "quality" of human resources in order to adapt well to the delayered organization.

In terms of talent management, we optimized the echelon construction of strategic talents, supplemented with scientific selection and differentiated training. At the same time, we accelerated the training of talents at the basic level, introduced young and diverse talents, and carried out case-based teaching through online and offline training. In respect of the talent pool in schools, the Group implemented the "Young Master Talent Reserve" project, members of the 2018 session have already commenced their job rotational trainings. The Group also adhered to the guiding spirit of the 19th National Congress of the CPC regarding the cooperation between schools and enterprises, continued enhancing the cooperation with key universities and medium level vocational training schools nationwide, and introduced and trained talents for marketing companies and supply chain.

CORPORATE SOCIAL RESPONSIBILITY

The Group persisted in achieving corporate social responsibility, committing to providing consumers with safe, convenient and delicious products, and contributing to the country and national development.

The Group adhered to the strict food safety standards and actively promoted popular science education on food safety. The cooperation between Master Kong and the Chinese aerospace industry has accelerated the process of Master Kong meeting the quality standard of aerospace. The Group will also take this as an opportunity to cooperate with the Chinese aerospace industry in organizing national popular science exhibitions. The Group also continued to promote food safety popular science through activities such as production line visits, community and campus publicity.

In response to the government's energy conservation and environmental protection policy, the Group continued to promote a number of energy conservation and emission reduction projects, and actively contributed its efforts to environmental protection education. The Group has promoted the "Water Education" programme together with the China Beverage Industry Association for the fourth consecutive year, provided popular science education in Shanghai schools, and carried out publicity by combining the concepts of drinking water treatment technology, water source protection and water conservation. The Group also organized environmental protection public welfare activities such as Chongqing Earth Protection Day.

The Group values the inheritance of the Chinese traditional culture. In Shanghai, we cooperated with primary schools to promote the inheritance of the Chinese traditional poetry culture and the spirit of Chinese studies, and let the public feel the determination of Master Kong to promote the Chinese food culture.

With respect to poverty alleviation, in response to the government's call, the Group engaged in donation services and community condolence, and continued to contribute to solving the issues relating to the agriculture, rural areas, and rural people. Continued efforts were made in updating the agricultural technology through assistance in farmers' planting, strict control of quality at the origin and supervision over inspection. The Group was granted the Poverty Alleviation Award of the Year at the Twelfth People's Corporate Social Responsibility Awards.

The Group also gave back to the education sector. It promoted the "Master Kong Dream Scholarship Project" organized jointly with Waseda University, such project subsidized outstanding undergraduate students from 5 top universities in the country, comprising Peking University, Shanghai Jiao Tong University for an exchange program in Japan. The Group also promoted the Practice Training Program in cooperation with the Tsinghua University Schwarzman Scholars.

PROSPECTS

Under a volatile international environment, the Chinese economy is expected to experience changes amidst stability in the second half of 2018. It is anticipated that the packaged food and beverage industry will continue to develop. However, the Group still faces a series of challenges such as high prices of some raw materials, variable consumer demand and fragmentation of channels. The Group insists on leading the industry upgrade. Through the implementation of the established strategy, it is expected that the instant noodle business will have stable performance with good momentum. The beverage business will still face the challenge of structural adjustment.

The Group will still persist in the multiple price range strategy and product structure adjustment. It will strive for making progress while maintaining stability, and with consolidating the mass consumption market as a prerequisite, will gradually establish presence in the high-end market, with a view to juggling both short-term and medium- and long-term development. The Group will continue to invest in brand building, implement diverse sales channels, strengthen the partnership with wholesalers and dealers, and optimize channel inventory to promote sales growth.

To respond to the high prices of some raw materials, the Group will relieve profit pressure through such manners as the improvement of formulae and the adjustment of package capacity. It will continue to implement the supply-side reform, and with the protection of free cash flow as a prerequisite, optimize capacity layout through asset-light, activation on asset, increase supply chain synergies, increase capacity utilization and control capital expenditures. In addition, the Group will raise operational efficiency through organizational transformation and upgrade as well as cost control, and constantly optimize its process, simplify its management, accelerate the progress of information digitalization, utilize internet empowerment and set up the service sharing mechanism during this process.

Food safety will remain a prerequisite for the Group's development. The Group will further promote the research and development of food safety technology and increase investment in food safety by taking aerospace cooperation as an opportunity, and will pay attention to health appeals brought by the consumption upgrade.

Taking being selected into the National Brands Project of Xinhua News Agency as an opportunity, the Group will fulfill the needs of people's lives as our business fundamental, serve the demands of the middle class as the long-term development goal and win together with our customers and partners as the foundation for success. With the idea and conviction of being rooted in the China market, the Group will promote the upgrade and improvement of the packaged food and beverage industry in China.

CORPORATE GOVERNANCE

The Company has, throughout the period ended 30 June 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 June 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 six months ended 30 June 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 six months ended 30 June 2018 pursuant to the 2008 Share Option Scheme: (Table B)

				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 June 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	—	—	—	8,484,000	—	Table A (7)
	5 June 2015	16.22	15.92	11,754,000	—	690,000	—	11,064,000	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	2,545,000	89,791,000		

For the period of six months ended 30 June 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 six months ended 30 June 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 June 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	27 April 2018	16.18	15.02	–	2,478,000	–	–	2,478,000	–	Table C (1a)
Wei	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	–	–	4,163,000	–	Table C (1b)
Total				–	8,104,000	–	–	8,104,000	–	

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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE OFFICER IN SHARES

As at 30 June 2018, the interests and short positions of the Directors and Chief Executive Officer in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

(a) Long position in Shares and underlying Shares

Name	Number of ordinary shares Personal interests	Number of ordinary shares Corporate interests (Note 1)	Percentage of the issued share capital	Number of underlying shares held under share options Beneficial owner (Note 2)	Percentage of the issued share capital
Directors					
Wei Ing-Chou	13,942,000	1,882,927,866	33.76%	13,720,000	0.24%
Wei Hong-Ming	—	—	—	1,483,000	0.02%
Lin Chin-Tang	554,000	—	0.01%	776,000	0.01%
Chief Executive Officer					
James Chun-Hsien Wei	—	—	—	14,863,000	0.26%

(b) Long position in shares of associated corporation

Name of Directors	Name of associated Corporation	Number of shares of the associated corporation (Note 3)	Percentage of the issued share capital (Note 3)	Nature of interest (Note 3)
Wei Ing-Chou	KSF Beverage Holding Co., Ltd. (formerly known as "Tingyi-Asahi Beverage Holding Co., Ltd.")	232,645 shares	22.10%	Corporate

Note:

1. These 1,882,927,866 shares are held by and registered under the name of Ting Hsin (Cayman Islands) Holding Corp. ("Ting Hsin"). Ting Hsin is beneficially owned as to approximately 44.761% by Ho Te Investments Limited ("Ho Te"), as to approximately 30.239% by Rich Cheer Holdings Limited ("Rich Cheer"), as to 17.835% by Itochu Corporation, and 6.482% by China Foods Investment Corp., a subsidiary of Asahi Group Holdings, Ltd., and as to the remaining 0.683% by unrelated third parties. Ho Te and Rich Cheer were owned as to 100% by Profit Surplus Holdings Limited ("Profit Surplus"). Profit Surplus is the trustee of a unit trust, which is in turn held by four discretionary trusts in equal proportions. Lion Trust (Singapore) Trustee Limited is the trustee of each of the above four discretionary trusts, the settlors and discretionary objects of the above four discretionary trusts are as follows:

   — Wei Chang Lu-Yun is the settlor of one of the above discretionary trusts with Wei Chang Lu-Yun and Wei Ing-Chou (including Wei Hong-Ming) as discretionary objects;

   — Lin Li-Mien is the settlor of one of the above discretionary trusts with Lin Li-Mien and Wei Ying-Chiao as discretionary objects;

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

   — Wei Tu Miao is the settlor of one of the above discretionary trusts with Wei Tu Miao and Wei, Yin-Heng as discretionary objects.

2. Wei Ing-Chou is also personally interested in 13,942,000 shares and holds 13,720,000 share options (details shown as Table B and Table D on page 28 and 29 respectively) under the share option schemes of the Company passed by extraordinary general meetings of the Company held on 20 March 2008 and 26 April 2018 respectively. Wei Chang Lu-Yun, being the spouse of Wei Ing-Chou, is also deemed to be interested in the shares and the underlying shares held by Wei Ing-Chou.

   Lin Chin-Tang is also personally interested in 554,000 shares and holds 776,000 share options (details shown as Table B on page 28) under the share option scheme of the Company passed by extraordinary general meeting of the Company held on 20 March 2008.

   Wei Hong-Ming holds 1,483,000 share options (details shown as Table B and Table D on page 28 and 29 respectively) under the share option schemes of the Company passed by extraordinary general meetings of the Company held on 20 March 2008 and 26 April 2018 respectively.

   James Chun-Hsien Wei holds 14,863,000 share options (details shown as Table B and Table D on page 28 and 29 respectively) under the share option schemes of the Company passed by extraordinary general meetings of the Company held on 20 March 2008 and 26 April 2018 respectively.

3. These 232,645 shares are held by and registered under the name of Ting Hsin. Please refer to note 1 for the shareholding structure of Ting Hsin.

Save as disclosed above, at no time during the six months ended 30 June 2018 were there rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were there any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in or any other body corporate.

Save as disclosed in this paragraph, as at 30 June 2018, none of the Directors and Chief Executive Officer had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

Substantial Shareholders and Other Persons' Interests in Shares

So far as was known to any Director or Chief Executive Officer of the Company, as at 30 June 2018, the interests or short positions of substantial shareholders and other persons of the Company, in the shares and underlying shares of the Company as recorded in the register required to the kept under section 336 of the SFO, or as otherwise notified to the Company, were as follows:

Name of shareholder	Capacity	Number of shares held	% of the issued share capital
Interest of Substantial Shareholders			
Ting Hsin (see Note 1)^	Beneficial owner	1,882,927,866 (L)	33.51
Ho Te Investments Limited (see Note 1)^	Interest of controlled company	1,882,927,866 (L)	33.51
Rich Cheer Holdings Limited (see Note 1)^	Interest of controlled company	1,882,927,866 (L)	33.51
Profit Surplus Holdings Limited (see Note 1)^	Trustee of a unit trust	1,882,927,866 (L)	33.51
Lion Trust (Singapore) Limited (see Note 1)^	Trustee of discretionary trusts	1,882,927,866 (L)	33.51
Wei Chang Lu-Yun (see Notes 1 & 2)^	Settlor of a discretionary trust	1,910,589,866 (L)	34.00
Lin Li-Mien (see Note 1)^	Settlor of a discretionary trust	1,882,927,866 (L)	33.51
Wei Hsu Hsiu-Mien (see Note 1)^	Settlor of a discretionary trust	1,882,927,866 (L)	33.51
Wei Tu Miao (see Note 1)^	Settlor of a discretionary trust	1,882,927,866 (L)	33.51
Sanyo Foods Co., Ltd.	Beneficial owner	1,882,927,866 (L)	33.51

^: Note 1 and 2 are set out on page 31

Note: (L): Long Position

Apart from the above, no other interest or short position in the shares or underlying shares of the Company were recorded in register required to be kept under section 336 of the SFO as at 30 June 2018.

BOARD OF DIRECTORS

As at the date of this report, 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, 27 August 2018

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

* *For identification purpose only*