



**康師傅控股有限公司\***  
**TINGYI (CAYMAN ISLANDS) HOLDING CORP.**  
*(Incorporated in the Cayman Islands with limited liability)*

**INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2002**

**SUMMARY**

As a result of the gradual recovery of world economy, the GDP of the PRC grew by 7.8% during the first half of the year 2002 as compared to the corresponding period last year. There was still relatively steady and fast growth since the PRC's economy was good as a whole. The Group benefited from the surrounding environment and effective marketing strategy, together with the suitable expansion in the beverage production capacity so that both the Group's sales and profit reached a new record. Profit attributable to shareholders surged by 153% to US\$ 51.197 million as compared with the corresponding period last year.

- Profit attributable to shareholders reached US\$51.197 million, an increase by 153% as compared to the corresponding period last year.
- Gross margin of the Group increased to 35.17% from 32.71% a year ago, representing an improvement of 2.46pp.
- Earnings per share amounted to US0.92 cents as compared to US0.36 cents a year ago, increased by US0.56 cents.
- Turnover of the Group amounted to US\$532 million, rose by 25.84% as compared to the corresponding period last year.
- Turnover for instant noodle, beverage and bakery was US\$296 million, US\$187 million and US\$40.823 million, and the product growth rates were 7.82%, 86.25% and 3.39% respectively.

**INTERIM RESULTS**

The Board of Directors of Tingyi (Cayman Islands) Holding Corp. (the "Company") is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2002 together with the unaudited comparative figures for the corresponding period in 2001. These interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

**Condensed Consolidated Income Statement**  
For the Six Months Ended 30th June 2002

	<i>Notes</i>	<b>2002 (Unaudited) US\$'000</b>	<b>2001 (Unaudited) US\$'000</b>
Turnover	2	531,955	422,709
Cost of sales		(344,890)	(284,456)
Gross Profit		187,065	138,253
Other revenue		1,224	1,130
Other net income		10,140	4,348
Distribution costs		(96,694)	(77,969)
Administrative expenses		(21,053)	(20,347)
Other operating expenses		(10,385)	(8,647)
Profit from operations	3	70,297	36,768
Finance costs	4	(12,612)	(12,002)
Share of (loss)profit of associates		(1,017)	239
Profit before taxation		56,668	25,005
Taxation	5	(4,602)	(3,514)
Profit from ordinary activities after taxation		52,066	21,491
Minority interests		(869)	(1,227)
Net profit attributable to shareholders		51,197	20,264
Earnings per share	6	US0.92 cents	US0.36 cents

**Notes to the condensed interim financial statements:**

1. **Accounting policies**

These unaudited condensed interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants. Except for the following changes, the accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the annual accounts for the year ended 31st December 2001.

In the current period, the financial statements have been prepared in accordance with SSAPs which are effective for the accounting periods commencing on or after 1st January

7. **Dividend**

The Board of Directors resolves that no interim dividend be paid for the six months ended 30th June 2002 (2001: nil).

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Instant Noodle Business**

Turnover of the Group's core instant noodle segment increased by 7.82% to US\$296 million as compared to same period last year and amounted to 56% of the Group's turnover. The growth was mainly because of the success in product positioning and product differentiation, strengthening the active reform of distribution network, more communication with target consumer group and carrying out different promotion activities. During the period, the Group launched "Gan Bun Mian", "Chao Ling Long" cup noodle and the repackaged Mr.Kon series noodle. Those new products made the brand of Mr.Kon more younger and more fashionable. Thanks for the foundation of "Better Access, Broader Reach" strategy, the Group's low-end noodle also had a good performance.

During the period, the gross margin for instant noodle was 27.82%, a drop by 0.4pp as compared to corresponding period last year. The decline was mainly due to (1) the change of product mix so that the sales growth from low-end noodle was greater than high-end noodle; and (2) higher packaging costs from container noodle to meet the government's environmental regulations.

**Beverage Business**

The Group's Green Tea and Ice Tea are the leading brand in the PRC ready-to-drink (RTD) tea market and beverage segment now is the second core business for the Group. Through the modification of product mix and marketing strategy, the Group strengthened the sales resource for "Mr.Kon" juice series to increase the sales for juice product. According to the successful launch for "Wei Chuan Daily C" 100% juice in Shanghai, the Group launched an unrefrigerated, diluted juice series "Fresh Daily C" and gained the great appreciation of consumers. Thanks for the Group's distribution network, "Fresh Daily C" became one of the popular brand in the fast going juice market. During the period, turnover for beverage segment surged by 86.25% to US\$187 million as compared to the same period last year and amounted to 35% of the Group's turnover. Again, beverage sales reached a new record. The Group also launched family size tea drinks and juice to serve restaurant and family. Given Wei Chuan's know-how, the Group launched a live lactobacillus drink "Jian Bai Fen" in June in great Shanghai area. "Jian Bai Fen" will further strengthen the Group's platform in the PRC refrigerated drinks market.

During the period, the gross margin for beverage business was 46.36%, a jump of 5.45pp as compared to the same period last year. This was mainly due to the high utilization rate for PET production line and increase in the proportion of high gross margin PET drinks.

**Bakery Business**

Turnover for bakery business increased by 3.39% to US\$40.823 million as compared to the same period last year and amounted to 8% of Group's turnover. The growth was mainly due to the sales increase from "Muffin" in which performance was better than the Group's expectation. As rice cracker was affected by the competition of low prices, the turnover decreased. To improve the operation of bakery business, the Group adjusted product structure, package and favour and promotion method. The Group also linked with one of the famous Taiwan food company - Hunya Foods Co., Ltd. and some international food companies as our strategic partners. Those famous food companies will help to increase the number of the categories in the Group's bakery product. The Group believes that this arrangement will improve the sales of bakery business in the second half of this year. The growth in export market for the bakery product was stable.

During the period, the gross margin for bakery products was 30.52%, fell by 2.48pp as compared to the same period last year mainly because of the lower utilization rate for production line and lower margin for export product.

**Financing**

Expansion of production facilities significantly strengthened the competitiveness of the Group. In June, the Group raised US\$90 million by the issue of convertible bonds which were listed on Luxembourg Stock Exchange. The proceeds were mainly used for the expansion in production capacity of the Group's existing and new production facilities for beverage business.

The remaining principal amount of the Group's 1997 convertible bonds was due on 17th July 2002. The Group has remitted an amount of US\$128.541 million, representing the total amount required to redeem the bonds together with accrued interest on the maturity date to trustee. The trustee paid such funds to the bondholders on the maturity date in accordance with the conditions. Up to the maturity date, none of the bondholders converted the bonds to the Group's shares and there was no change in the number of the Group's existing shares.

As of 30th June 2002, the Group's total liabilities amounted to US\$830 million, representing an increase of US\$250 million from US\$580 million as at 31st December 2001. Total assets amounted to US\$1,384 million. The leverage ratio (total liabilities to total assets) increased by 9.25pp to 59.97% as compared to 31st December 2001. Since most of the Group's transactions were by cash on delivery, the Group has healthy positive cash flow. As of 30th June 2002, the Group had US\$354 million cash on hand, including the remittance of US\$128.541 million to the trustee of the bond. The Group increased long-term and short-term loans by US\$135.266 million to US\$523.926 million as compared to 31st December 2001.

**Financial Ratio**

As at  
30th June 2002

As at  
31st December 2001

Net profit attributable to shareholders

	51,197	20,264
	<u>US0.92 cents</u>	<u>US0.36 cents</u>

Earnings per share

6

**Notes to the condensed interim financial statements:**

**1. Accounting policies**

These unaudited condensed interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants. Except for the following changes, the accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the annual accounts for the year ended 31st December 2001.

In the current period, the financial statements have been prepared in accordance with SSAPs which are effective for the accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised):	Presentation of financial statements
SSAP 2 (revised):	Net profit or loss for the period, fundamental errors and changes in accounting policies
SSAP 11 (revised):	Foreign currency translation
SSAP 15 (revised):	Cash flow statements
SSAP 25 (revised):	Interim financial reporting
SSAP 33:	Discontinuing operations
SSAP 34:	Employee benefits
SSAP 35:	Accounting for government grants and disclosure of government assistance

The effect of adopting these new/revised SSAPs is insignificant for the current or past results. Disclosure and certain comparative figures have been modified to conform with the current requirements of these SSAPs.

**2. Turnover and segment information**

Turnover represents sales of goods at invoiced value to customers, net of returns, discounts and Value Added Tax ("VAT"). The Group operates mainly in the People's Republic of China (the "PRC"). The turnover and contribution to the Group's profit are mainly from the PRC.

An analysis of the Group's turnover by major products is as follows:

	For the six months ended 30th June			
	2002 (Unaudited) US\$ '000		2001 (Unaudited) US\$ '000	
		%		%
Instant noodles	295,624	56	274,182	65
Beverages	187,254	35	100,541	24
Bakery	40,823	8	39,485	9
Others	8,254	1	8,501	2
Total	<u>531,955</u>	<u>100</u>	<u>422,709</u>	<u>100</u>

An analysis of the Group's segment result by major products is as follows:

	For the six months ended 30th June			
	2002 (Unaudited) US\$ '000		2001 (Unaudited) US\$ '000	
Instant noodles	41,293		32,023	
Beverages	29,643		6,064	
Bakery	(1,233)		(507)	
Others	3,137		1,095	
Total	<u>72,840</u>		<u>38,675</u>	

**3. Profit from operations**

Profit from operations is stated after charging(crediting) the following:

	For the six months ended 30th June	
	2002 (Unaudited) US\$ '000	2001 (Unaudited) US\$ '000
Depreciation	32,732	32,318
Reversal of impairment loss on an associate included in other net income	<u>(2,855)</u>	<u>—</u>

**4. Finance costs**

	For the six months ended 30th June	
	2002 (Unaudited) US\$ '000	2001 (Unaudited) US\$ '000
Interest expenses:		
Bank and other loans wholly repayable within five years	<u>12,612</u>	<u>12,002</u>

**5. Taxation**

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

No provision for Hong Kong profits tax has been made as there was no assessable profit in Hong Kong for the period.

Subsidiaries in the PRC are subject to tax laws applicable to foreign investment enterprises in the PRC and are fully exempt from PRC enterprise income tax of 15% for two years starting from the first profit making year followed by a 50% reduction for the next three years.

Deferred taxation has not been provided as the effect of timing differences is insignificant at the balance sheet date.

**6. Earnings per share**

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period and on the weighted average of ordinary shares in issue during the period.

	For the six months ended 30th June	
	2002 Number of shares (Million)	2001 Number of shares (Million)
Issued weighted average of ordinary shares	<u>5,589</u>	<u>5,589</u>

Diluted earnings per share has not been shown as the convertible bonds outstanding during these periods are anti-dilutive.

bondholders converted the bonds to the Group's shares and there was no change in the number of the Group's existing shares. As of 30th June 2002, the Group's total liabilities amounted to US\$830 million, representing an increase of US\$250 million from US\$580 million as at 31st December 2001. Total assets amounted to US\$1,384 million. The leverage ratio (total liabilities to total assets) increased by 9.25pp to 59.97% as compared to 31st December 2001. Since most of the Group's transactions were by cash on delivery, the Group has healthy positive cash flow. As of 30th June 2002, the Group had US\$334 million cash on hand, including the remittance of US\$128.541 million to the trustee of the bond. The Group increased long-term and short-term loans by US\$135.266 million to US\$523.926 million as compared to 31st December 2001.

**Financial Ratio**

	As at 30th June 2002	As at 31st December 2001
Finished goods turnover	12.16 Days	13.32 Days
Accounts receivable turnover	13.77 Days	14.45 Days
Current ratio	1.08 Times	0.88 Times
Leverage ratio	59.97%	50.72%
Gearing ratio	0.31 Times	0.40 Times

**Production Scale**

Within the period, the production lines for PET beverage have increased to 27. Out of the 16 new lines, 12 lines have been put in production as of 30th June 2002. The rest of the lines will commence production in July, August and September. During the period between the end of the second quarter and the early third quarter, the Group faced the pressure of excess demand in the PET beverage. With the aim of satisfying the market needs and after careful discussions, the board of directors has approved in July the purchase of other 15 new PET beverage lines and supporting facilities with estimated total investment about US\$68 million. The Group believes that the new lines will commence production after the second quarter in next year. In the first half of 2002, the Group has established two synthetic factories for instant noodle and beverage in ShihHeJi, Xinjiang and Kunming in Yunnan and one beverage factory in Harbin. Those new factories will operate during the period between the end of this year and the first quarter of next year. For bakery business, one new muffin production line has commenced production in the first half of the year. The Group believes that those expansion will benefit the sales of the Group in the second half of the year and in the future.

**Sales Network**

The result of "Better Access, Broader Reach" of the Group was significantly well in launching new product into market as the access to our customers was improved. Better network control enhanced our goods scheduling. Besides, the Group has strengthened the service towards wholesalers, and established the system of rewards and penalties so that the motivation of the wholesalers was strengthened effectively. On the other hand, the continuous development of overseas market, coupled with the integration of the Group's logistics system in major cities in the PRC, would help in reducing the cost and increasing the business turnover for the coming seasons of the year.

**Prospect**

Along with the growth of the PRC's economy, the increase in income of consumers and their new consumption pattern, the development of PRC's instant food market will grow further. The Group will make effort to expand the established business market. The Group's strategies are as follows:

1. Introduce strategic partners to strengthen logistics systems in the PRC;
2. Actively expand refrigerated drinks market share in the eastern part of the PRC to establish the refrigerated product network:
  - (1) Plan to produce "Wei Chuan Daily C" 100% refrigerated juice drinks in Tianjin and Guangzhou beverage factories;
  - (2) To enrich the category of the Group's refrigerated product by establishing small size model farm in Anji, Zhejiang to enter the dairy industry and give technical support to surrounding dairy farmers;
3. Strengthen and establish the Group's logistics system to enhance the quality and cost of distribution network;
4. Seek for strategic partners to handle the Group's supporting business and concentrate on food business;
5. Continue to upgrade production technology and develop basic research;
6. Actively establish a Group-wide ISO standard;
7. Adopt systematic development of manpower resources to strengthen the development and localization of human resources; and
8. Carry out full installation of the SAP computer management and establish the computerization for the logistics system in the major cities in the PRC.

**CHANGE OF CHINESE NAME**

The Company's Chinese name adopted for identification purpose has been changed from "頂益 (開曼島) 控股有限公司" to "康師傅控股有限公司" with effect from 5th July 2002. The Chinese stock short name was also changed from "頂益" to "康師傅控股" with effect from 12th July 2002.

**PURCHASE, SALE OR REDEMPTION OF SHARES AND CONVERTIBLE BONDS**

During the period, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares and the convertible bonds which were issued on 4th June 2002.

For the convertible bonds due on 17th July 2002, the Group has redeemed all the outstanding bonds on maturity date.

**AUDIT COMMITTEE**

In compliance with the requirement of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group has established in September 1999 an Audit Committee. The latest meeting of the committee was held to review the results of the Group for the period.

**CODE OF BEST PRACTICE**

None of the Directors is aware of any information that would reasonably indicate that the Company is not or, was not for any part of the six months ended 30th June 2002, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except all directors of the Company are not appointed for a specific term as they are subject to retirement by rotation in accordance with the Company's Articles of Association.

**PUBLICATION OF FINANCIAL INFORMATION**

The detailed announcement on the results for the six months ended 30th June 2002 which sets out all the information required by paragraphs 46(1) and 46(3) inclusive in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be available for publication in the website of The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>) within 21 days from the date of this announcement.

By Order of the Board  
**Wei Ing-Chou**  
Chairman

Tianjin, PRC, 2nd August 2002  
Website: <http://www.tingyi.com>

\* For identification purposes only