康師傅控股有限公司*

TINGYI (CAYMAN ISLANDS) HOLDING CORP.

(incorporated in the Cayman Islands with limited liability)

Stock Code: 322

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2004

SUMMARY

During the first half of the year 2004, the PRC's gross domestic products (GDP) and the total amount for retail market in the PRC increased by 9.7% and 12.8% respectively as compared to the corresponding period last year. In the second quarter, total turnover of the Group increased by 16.43% as compared to the corresponding period last year. Under the continuous pressure from the further price increase in instant noodle's core materials, the profitability for the Group's instant noodle business was sharply squeezed in the second quarter. Before the end of April 2004, the Group has completed two co-operation projects with strategic partners and realised capital gain of US$272.955 million.

Highlights of the Group's interim results: (Comparative figures are based on the corresponding period last year)

- Turnover of the Group amounted to US$712 million, an increase by 20%.
- Gross margin of the Group was 27.66%, last year was 27.34%.
- Profit attributable to shareholders amounted to US$266.029 million, an increase of 2,112.48%.
- Earnings per share amounted to US4.76 cents, last year was US0.22 cents.
- Turnover for instant noodle, beverage and bakery was US$399 million, US$265 million and US$38.386 million respectively, and the product growth rates were 9.2%, 46.99% and 6.36% 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 2004 together with the unaudited comparative figures for the corresponding period in 2003. 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 2004

	Notes	**2004 (Unaudited)** *US$'000*	**2003 (Unaudited)** *US$'000*
Turnover	2	711,604	592,994
Cost of sales		(514,752)	(430,873)
Gross Profit		196,852	162,121
Other revenue		1,264	710
Other net income		278,081	7,894
Distribution costs		(156,629)	(117,647)
Administrative expenses		(19,446)	(19,642)
Other operating expenses		(22,283)	(9,162)
Profit from operations	3	277,839	24,274
Finance costs	4	(9,616)	(9,628)
Share of profit of associates		1,845	1,061
Profit before taxation		270,068	15,707
Taxation	5	(2,197)	(3,461)
Profit from ordinary activities after taxation		267,871	12,246
Minority interests		(1,842)	(222)
Net profit attributable to shareholders		266,029	12,024
Earnings per share	6	4.76 cents	0.22 cents

Notes

1. **Basis of preparation and accounting policies**

   The Directors are responsible for the preparation of the Group's unaudited interim financial statements. These unaudited interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants. These condensed interim financial statements should be read in conjunction with the 2003 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 31st December 2003.

2. **Turnover and segment information**

   Turnover represents sales of goods at invoiced value to customers, net of returns, discounts and Value Added Tax. The Group operates mainly in the People's Republic of China ("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			
	2004 (Unaudited)		2003 (Unaudited)	
	US$'000	*%*	*US$'000*	*%*
Instant noodles	399,241	56	365,622	62
Beverages	264,927	37	180,238	30
Bakery	38,386	5	36,091	6
Others	9,050	2	11,043	2
Total	711,604	100	592,994	100

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

	For the six months ended 30th June	
	2004 (Unaudited)	2003 (Unaudited)
	US$'000	*US$'000*
Instant noodles	2,469	27,371
Beverages	15,061	769
Bakery	(13,335)	(2,966)
Others	273,289	(1,978)
Total	277,484	23,196

Note: The Bakery result includes an impairment loss of US$10 million recognised on property, plant and equipment. (2003: nil)

3. **Profit from operations**

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

	For the six months ended 30th June	
	2004 (Unaudited)	2003 (Unaudited)
	US$'000	*US$'000*
Depreciation	43,992	36,933
Gain on disposal of partial interest in subsidiaries	(272,955)	—
Gain on disposal of partial interest in an associate	(2,528)	—
Impairment loss on property, plant and equipment	10,000	—

4. **Finance costs**

	For the six months ended 30th June	
	2004 (Unaudited)	2003 (Unaudited)
	US$'000	*US$'000*
Interest expenses:		
Bank and other loans wholly repayable within five years	9,616	9,628

5. **Taxation**

	For the six months ended 30th June	
	2004	**2003**
	(Unaudited)	**(Unaudited)**
	US$'000	*US$'000*
PRC enterprise income tax	2,197	3,461

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

No provision for Hong Kong profits tax has been made for the period as the Group's profit is not subject to Hong Kong profits tax.

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 after offsetting accumulated losses brought forward, followed by a 50% reduction for the next three years.

6. **Earnings per share**

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of US$266.029 million (2003: US$12.024 million) and on the weighted average of 5,588,705,360 (2003: 5,588,705,360) ordinary shares in issue during the period. No diluted earnings per share is presented as the exercise price of the outstanding convertible bonds was higher than the market price per share in both periods.

7. **Dividend**

The Board of Directors resolves that no dividend be paid for the six months ended 30th June 2004 (2003: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Instant Noodle Business

Turnover for instant noodle business amounted to US$399.241 million for the first half of the year 2004 and increased by 9.17% as compared to the same period last year, representing 56% of the Group's total turnover. The turnover decreased 5.05% in the second quarter and got back to the normal low season's performance. The major reason of sales decline was due to the enlarged comparative basis. For the second quarter last year, the demand for instant noodles sharply increased because of the outbreak of SARS, and, consequently, the sales of instant noodle business were well-performed even in the traditional low season. The growth in sales for the first half was mainly from container noodle. All products' sales of container noodle achieved pretty good performance. On the other hand, "The Best of Asian Series" and "Mixed Noodle Series", which were launched in the first quarter, still were capturing the consumers' attention and will have the chance to become the Group's two sub-brands. As a result, the leading position of the Group's container noodle got further strengthened. For the packet noodle, the Group formally started to shift the production of low-end packet noodle to The Third Prince (SanTaizi) Company Limited, Hebei which have been operated since May 2004, is a joint venture of the Group and Zhongwang Group, through the way of OEM

(Original Equipment Manufacturer). Zhongwang Group conducts very well in low-end noodle market. It will help the Group to enlarge its market share in low-end packet noodle. The Group has invested US$30.193 million to the joint venture and has a 50% interest in the joint venture. The joint venture not only produces Zhongwang's products, but also assist the Group to produce low-end packet noodles. In the future, the Group will focus on producing such high gross margin products - container noodle and middle to high-end packet noodle. According to AC Nielsen, for the period of April to May 2004, the Group gained 40.8% market share by sales value and 30.5% market share by volume in the PRC instant noodle market. The Group's leader position was further strengthened.

As affected by the continuous increased price of raw materials, all instant noodle manufacturers have experienced downward trend in gross margins. Low-end product manufacturers have been forced to reduce their sales volume or stop their production. During the period, the gross margin for instant noodle business dropped by 4.09pp to 17.56%. In addition, the price of palm oil and flour increased significantly and the highest growth rates had touched 25% and 40% or above respectively when compared to corresponding period last year. Loss attributable to shareholders was US$0.893 million while profit attributable to shareholders last year was US$21.792 million. The loss was mainly due to the decreased gross margin and the increased distribution costs.

Beverage Business

Turnover for beverage business amounted to US$264.927 million for the first half of the year 2004 and increased by 46.99% as compared to the same period last year, representing 37% of the Group's total turnover. The repackage for all brand products, core advertisement and promotion and integrated below the line (BTL) marketing activities have exposed a grand fresh image for the brand of Master Kong to consumer. Especially, family consumers rapidly accepted the family size series such as Master Kong Ice Tea and diluted juice drinks so that the sales of the Group's flagship products increased continuously. Also, the Group continued to extend the sales area for Master Kong Mineralized Water. In addition, the Group launched new product -sport drink "X Sports" and new flavours -Master Kong Mango Juice Drink and Daily C Acerola Juice Drink in the second quarter. Turnover for beverage business reached new record because the expansion and innovative differences in functions for new product and flavours have been attracting more and more consumers. According to AC Nielsen, for the period of April to May 2004, the Group's Ready-To-Drink Tea gained 47.0% market share by sales value and No.1 position in the market. Due to the invading into the juice market gradually, Master Kong's diluted juice drinks gained No.2 position in the market and 18.7% market share.

The price for PET resin still stood at a high level so that the gross margin for beverage business was affected to a certain extent. The new and highly efficient product lines that were added last year have been fully operated. Together with the Group's vertical integration in production system, the Group can mitigate the pressure caused by the price increase in raw materials. During the period, the gross margin of beverage business was 41.37%, increased by 0.33pp as compared to the same period in 2003. Profit attributable to shareholders increased by 919.41% to US$10.500 million.

Bakery Business

Turnover for bakery business amounted to US$38.386 million for the first half of the year 2004 and increased by 6.36% as compared to the same period last year, representing 5% of the Group's total turnover. The increase was mainly due to the good performance for core products such as Sandwich Crackers, Muffin and Savoury Sandwich Crackers. In addition, the new product "Sweet Yolk Biscuit" has been well received by the market. As a result, the Group achieved good development in both "Cake" and "Cracker" products. According to AC Nielsen, for the period of April to May 2004, Master Kong's Sandwich Crackers was No.2 in the market and gained 23.9% market share by sales value.

During the period, the gross margin of bakery business was 31.64%, increased by 5.67pp as compared to the same period in 2003. The performance for bakery business will be expected to improve gradually. Loss attributable to shareholders was US$13.662 million and last year was US$3.382 million. The increase of loss was mainly due to the impairment loss of US$10 million recognised on the property, plant and equipment.

Financing

As of 30th June 2004, the Group's cash and bank deposits amounted to US$179.087 million. Total liabilities amounted to US$559 million, representing a decrease of US$153 million from US$712 million as at 31st December 2003. Total assets amounted to US$1,422 million. The leverage ratio (total liabilities to total assets) dropped by 15.88pp to 39.31% as compared to 31st December 2003. The Group significantly reduced long-term and short-term loans by US$198.865 million as compared to 31st December 2003 through using the capital gain of US$273 million to repay parts of bank loans before the end of June this year. The capital gain was realised by two co-operation projects that were completed at the end of April this year.

Financial Ratio

	As at 30th June 2004	**As at 31st December 2003**
Finished goods turnover	12.80 Days	12.42 Days
Accounts receivable turnover	16.20 Days	15.20 Days
Current ratio	0.86 Times	0.78 Times
Debt ratio	39.31%	55.19%
Gearing ratio	0.07 Times	0.60 Times

Before the end of April this year, the Group has transferred the 49.995% interest in beverage business to AI Beverage Holding Co. Ltd. (AI Beverage), a joint venture company of Asahi Breweries, Ltd. and Itochu Corporation (Itochu), for US$359.891 million and the 49.99% interest in logistics business to Itochu for US$9.999 million. The respective gains of US$263.997 million and US$8.958 million have been recognised in the Group's financial statements in April this year. In future, the operation results and financial conditions of beverage business and logistics business will still be consolidated in the Group's financial statements; the interest of strategic partners will be reflected in minority interests.

Human Resources

As of 30th June 2004, the Group employed 25,638 staff (31st December 2003: 27,803). The Group provides a competitive salary system, insurance and medical benefit and professional training courses to employees. The perfect management system for human resources will enhance employee's contribution to the Group.

CORPORATE GOVERNANCE

Code of Best Practice

Throughout the six months ended 30th June 2004, the Company was in compliance with the code of Best Practice as set out in the Listing Rules except all non-executive 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.

Audit Committee

In compliance with the requirement under Rule 14 of the Code of Best Practice setting out in Appendix 14 of the Listing Rules. The Company has established the audit committee in September 1999 and has two independent non-executive directors, Mr. Hsu Shin-Chun and Mr. Katsuo Ko. The latest meeting of the committee was held to review the results of the Group for the period.

PROSPECT

The continuous growth for the PRC consumers' income and the new concept for consumption will further expand the development for the instant food market. Because of the pressure of price increase in raw materials, the Group's gross margin will be squeezed and the Group's production cost will continue to be affected in the second half year. Facing the pressure from market competition and the increasing production cost, the Group's strategies are as follows:

1. Introducing strategic partners and further developing the network in the PRC.

2. Launching the competitive and high margin products in suitable time through the Group's professional and experienced research team and enhancing the Group's overall profitability by increasing the ratio of high margin products.

3. Continuing to strengthen the brand awareness, sales networks and customer service.

4. Strengthening and establishing the Group's logistics system to enhance the quality and reduce the cost for distribution network.

5. Expanding the market share for the refrigerated drinks in the eastern region and developing the northern market in the PRC in order to establish the Group's distribution ability in the refrigerated food market.

6. Further enhancing the efficiency for system management by strengthening the ability for SAP and modifying the B2B operating system.

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 convertible bonds.

PUBLICATION OF FINANCIAL INFORMATION

A detailed results announcement containing all the information required by paragraphs 37(1) to 37(6) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be published on the website of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.masterkong.com.cn) in due course.

BOARD OF DIRECTORS

As at the date of this announcement, Mr. Wei Ing-Chou, Mr. Takeshi Ida, Mr. Ryo Yoshizawa, Mr. Wei Ying-Chiao, Mr. Wu Chung-Yi and Mr. Jun-Ichiro Ida are executive directors of the Company. Mr. Hsu Shin-Chun and Mr. Katsuo Ko are independent non-executive directors of the Company.

By Order of the Board
Wei Ing-Chou
Chairman

Tianjin, PRC, 25th August 2004
Website: http://www.masterkong.com.cn
http://www.irasia.com/listco/hk/tingyi

* *For identification purposes only*