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)

FIRST QUARTER RESULTS FOR THE THREE MONTHS ENDED 31ST MARCH 2005

Summary

The continuous growth in the PRC economy and income of the citizens has boosted the total amount for retail market in the first quarter which increased by 13.7% as compared to the same period last year. Benefiting from continuing growth in domestic demand markets, the Group gained a relatively stable increase in sales. The encouraging financial results in the first quarter of year 2005 were attributable to the Group's further refining in its overall operation because of the experience on the sharp increase in raw material price in 2004.

- Turnover of the Group amounted to US$423 million, increased by 17.4% as compared to the corresponding period last year;
- Gross margin of the Group was 30.53% as compared to 26.69% in the corresponding period last year;
- Profit attributable to equity holders of the parent amounted to US$34.857 million, increased by 181.63% as compared to the corresponding period last year;
- Earnings per share amounted to US0.62 cents, increased by US0.40 cents as compared to the corresponding period last year;
- Turnover for instant noodles, beverage and bakery were US$249 million, US$137 million and US$23.134 million respectively, and the product growth rates were 12.97%, 23.23% and 18.39% respectively.

First Quarter Results

The Board of Directors of Tingyi (Cayman Islands) Holding Corp. (the "Company") is pleased to announce the unaudited condensed consolidated first quarter financial statements of the Company and its subsidiaries (the "Group") for the three months ended 31st March 2005 together with the unaudited comparative figures for the corresponding period in 2004. These first quarter financial statements have not been audited, but have been reviewed by the Company's audit committee.

Condensed Consolidated Income Statement

For the Three Months Ended 31st March 2005

	Note	2005 (Unaudited) US$'000	2004 (Unaudited) US$'000
Turnover	2	423,472	360,720
Cost of sales		(294,203)	(264,434)
Gross profit		129,269	96,286
Other revenue		743	519
Other net income		5,325	3,689
Distribution costs		(66,863)	(67,543)
Administrative expenses		(12,144)	(10,010)
Other operating expenses		(6,516)	(4,936)
Finance costs		(2,799)	(5,219)
Share of profit of associates		2,263	1,168
Profit before taxation	3	49,278	13,954
Taxation	4	(5,178)	(1,394)
Profit for the period		44,100	12,560
Attributable to			
Equity holders of the parent		34,857	12,377
Minority interests		9,243	183
		44,100	12,560
Earnings per share	5		
Basic		0.62 cents	0.22 cents
Diluted		N/A	N/A

Condensed Consolidated Balance Sheet

As at 31st March 2005

	Note	As at 31st March 2005 (Unaudited) US$'000	As at 31st December 2004 (Audited) US$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		885,640	879,964
Prepayments for operating lease		52,255	52,581
Interest in associates		43,966	53,154
Interest in a joint venture		30,058	30,058
Other non-current financial assets		3,116	3,109
Deferred tax assets		6,197	6,197
		1,021,232	1,025,063
Current assets			
Current financial assets		46,936	16,466
Inventories		90,295	96,590
Trade receivables	7	74,517	71,499
Prepayments and other receivables		68,983	65,025
Pledged bank deposits		4,382	1,394
Bank balances and cash		188,926	126,152
		474,039	377,126
Current liabilities			
Trade payables	8	207,709	188,398
Other payables		105,129	96,275
Current portion of interest-bearing borrowings		176,386	186,606
Advance payments from customers		37,505	7,372
Taxation		5,799	2,575
		532,528	481,226
Net current liabilities		(58,489)	(104,100)
Total assets less current liabilities		962,743	920,963

	Note	As at 31st March 2005 (Unaudited) US$'000	As at 31st December 2004 (Audited) US$'000
Non-current liabilities			
Long-term interest-bearing borrowings		11,165	13,581
Other non-current payables		10,770	10,913
Employee benefit obligations		5,105	4,887
Deferred tax liabilities		6,176	6,176
		33,216	35,557
NET ASSETS		929,527	885,406
CAPITAL AND RESERVES			
Equity attributable to equity holders of the parent			
Issued capital		27,943	27,943
Reserves		741,666	706,788
Proposed final dividend		63,712	63,712
		833,321	798,443
Minority interests		96,206	86,963
		929,527	885,406

Notes:

1. **Basis of preparation**

Basis of preparation and accounting policies

The Directors are responsible for the preparation of the Group's unaudited quarterly financial statements. These unaudited quarterly financial statements have been prepared in accordance with Hong Kong Accounting Standard No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. These condensed quarterly financial statements should be read in conjunction with the 2004 annual financial statements.

Adoption of the New Hong Kong Financial Reporting Standards ("New HKFRSs")

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs"), herein collectively referred to as the new HKFRSs, which are effective for accounting periods beginning on or after 1st January 2005. The Group adopted the new HKFRSs on 1st January 2005 and the above financial data included the impact upon adoption of these new HKFRSs. The adoption of the new HKFRSs has no material impact on the results of the Group apart from certain change in the accounting presentation.

2. **Turnover and segment result by major products**

The Group operates mainly in The People's Republic of China (the "PRC"). Turnover and contribution to the Group's profit are mainly from the PRC.

An analysis of the Group's turnover and segment result by major products is set out below:

	Turnover For the three months ended 31st March		**Segment result For the three months ended 31st March**	
	2005 (Unaudited)	**2004 (Unaudited)**	**2005 (Unaudited)**	**2004 (Unaudited)**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Instant noodles	249,475	220,837	27,177	6,093
Beverages	136,620	110,867*	20,106	11,433*
Bakery	23,134	19,541	375	(1,694)
Others	14,243	9,475*	2,612	1,880*
Total	423,472	360,720	50,270	17,712

* The comparative information of turnover and segment result has been restated and reclassified to conform to current quarter's presentation.

3. **Profit before taxation**

	For the three months ended 31st March	
	2005	**2004**
	(Unaudited)	**(Unaudited)**
	US$'000	*US$'000*
Profit before taxation is stated after charging the following:		
Depreciation	23,010	21,590

4. **Taxation**

	For the three months ended 31st March	
	2005	**2004**
	(Unaudited)	**(Unaudited)**
	US$'000	*US$'000*
PRC enterprise income tax	5,178	1,394

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, commencing from the first profitable year after offsetting all unexpired tax losses carried forward from the previous years.

5. **Earnings per Share**

The calculation of basic earnings per share is based on the net profit attributable to equity holders of the parent for the period of US$34,857,000 (2004: US$12,377,000) and on the weighted average of 5,588,705,360 (2004: 5,588,705,360) ordinary shares in issue during the period.

No diluted earnings per share is presented as the conversion price of the Company's convertible bonds were higher than the market price of the Company's shares in both periods.

6. **Dividend**

The Board of Directors resolves that no dividend be paid for the three months ended 31st March 2005 (2004: nil).

7. **Trade Receivables**

The majority of the Group's sales is cash-on-delivery. The remaining balances of sales are at credit terms ranging from 30 to 90 days. The ageing analysis of the trade receivables as at the balance sheet date is as follows:

	As at 31st March 2005 (Unaudited) *US$'000*	As at 31st December 2004 (Audited) *US$'000*
0 - 90 days	62,801	60,717
Over 90 days	11,716	10,782
	74,517	71,499

8. **Trade Payables**

The ageing analysis of trade payables as at the balance sheet date is as follows:

	As at 31st March 2005 (Unaudited) *US$'000*	As at 31st December 2004 (Audited) *US$'000*
0 - 90 days	185,299	173,107
Over 90 days	22,410	15,291
	207,709	188,398

MANAGEMENT DISCUSSION AND ANALYSIS

Instant Noodle Business

In the first quarter of year 2005, turnover for instant noodle business amounted to US$249.475 million, grew by 12.97% from the same period last year and representing 58.91% of the Group's total turnover. The successful sales were mainly attributable to continuing brand investment under the current solid base of "Better Access, Broader Reach". Also, leveraging on the strategy of overall improvement on the value sense for high-end instant noodle products and effective communication with media, the Group made an effort to build "Master Kong" as a high-value brand name and achieved a significant growth in all kinds of container noodles. In addition, due to the appropriate application in the product strategy of regional eating culture and the product series with local characters winning the favor of customers, the Group consolidated its brand name as a leader position. Furthermore, the Group's low-end price products "Fu Man Duo" and "Hao Zi Wei" maintained stable growth because of deep plowing in villages and increased consumers' demands on instant noodles in countries. According to AC Nielsen, for the period of February to March 2005, by sales value, the Group's market share was 38.61% in the PRC instant noodle market. The Group's leading position was further strengthened.

During the period, the gross margin of instant noodle increased by 5.51pp to 23.95%. Despite the continuous high price for core material flour, the gross margin was improved because of 7% price cutting on palm oil, moderate increase in price of products, refining production process and the continuous increase in sales portion of high margin container noodles and high-end packet noodles. Profit attributable to equity holders of the parent was US$23.001 million, increased by 400.81% mainly because of the effective control for cost and adjustment on products mix.

Beverage Business

The successful strategies, which included the efforts to consolidate distribution network continuously, strengthen supplies to distribution network and communicate with retail partners before peak season — Chinese New Year coming, optimize production package, launch completely new advertisement, activate and improve brand image, etc., made the first quarter's turnover for beverage business increase by 23.23% to US$136.620 million and representing 32.26% of the Group's total turnover. During the period, beverage business enhanced promotion effect on Master Kong Juice Drink Family Size Series in order to satisfy the family demands in Chinese New Year and continued to expand the sales area for Master Kong Mineralized Water. All these efforts made beverage business achieve a new record in turnover. According to AC Nielsen, for the period of February to March 2005, Master Kong's Ready-To-Drink Tea gained 47.0% market share by sales value and still kept the No.1 position in the market; Master Kong's juice drink series gained No.2 position in the market and 17.1% market share.

The gross margin of beverage business was affected by the price of PET plastic resin that continued to stand at a high level. However, owing to the Group's highly efficient production facilities and vertical integrated production process, the pressure that was caused by the price increase in raw material was mitigated. During the period, the gross margin for beverage business was 40.45% and increased by 0.48pp as compared to the same period last year. Profit attributable to equity holders of the parent was US$8.670 million, decreased by 12.52% mainly because the US$9.121 million minority interests have been accounted for during the period.

Bakery Business

In the first quarter of 2005, turnover for bakery business amounted to US$23.134 million, increased by 18.39% from the same period last year and representing 5.46% of the Group's total turnover. The results were mainly attributable to the following strategies: continuously emphasizing on brand name management and product differentiation, refining and developing new flavors and new package. The growth in sales was mainly from its core products such as sandwich crackers, muffin and thin crackers. In addition, the new product "Petite Cake" 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 February to March 2005, market share of "Master Kong"'s sandwich crackers was 25.2% and gained second position in the PRC market.

During the period, the gross margin of bakery business was 35.93%, grew by 4.2pp when compared to the same period last year. The growth was mainly because of efficiency improvement and the concentration on producing high margin products. Based on the current policy, the performance for bakery business will be expected to improve gradually. Profit attributable to equity holders of the parent was US$0.350 million, last year's loss was US$1.819 million.

Financing

As of 31st March 2005, the Group's total liabilities amounted to US$566 million, representing an increase of US$48.961 million from US$517 million as at 31st December 2004. Total assets amounted to US$1,495 million. The leverage ratio calculated as total liabilities to total assets increased by 0.98pp to 37.84% as compared to 31st December 2004. The increase was mainly because of the increase in advance payments from customers by US$30.133 million and the increase in other payables by US$8.854 million. The Group's long-term and short-term loans decreased by US$12.636 million as compared to 31st December 2004. The portion for US dollars and Renminbi in the Group's total borrowing was 77% and 23% respectively. The Group's transactions are mainly denominated in Renminbi, but there is no significant impact of exchange fluctuations because the exchange rate between Renminbi and US dollar remained relatively stable during the period. As of 31st March 2005, the Group had no contingent liability and cash on hand amounted to US$193 million.

Financial Ratio

	As at 31st March 2005	As at 31st December 2004
Finished goods turnover	9.62 Days	10.73 Days
Accounts receivable turnover	15.52 Days	16.62 Days
Current Ratio	0.89 Times	0.78 Times
Debt ratio (Total liabilities to total assets)	37.84%	36.86%
Gearing ratio (Net debt to equity attributable to equity holders of the parent)	0.12 Times	0.14 Times

The Group's 2002 Convertible Bonds will be due in June 2005. The Group anticipates repaying the remaining principal amount of US$90 million plus a redemption premium of US$9.932 million from operating cash flows and cash from the shares transfer during last year. The total repayable amount will be US$99.932 million.

Human Resources

As of 31st March 2005, the Group employed 26,514 staff (31st December 2004: 25,003). The Group provides a competitive salary packages, insurance and medical benefit and professional training courses to employees. The Group believes that the perfect management system for human resources will enhance employee's contribution to the Group.

Prospects

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 quarter. Facing the pressure from market competition and the increasing production cost, the Group will continue to refine its overall operation. Under the "Profit Priority" precondition, the Group will expand its total sales and further strengthen the leading position of each product in the PRC market.

Corporate Governance

Code of Best Practice

Throughout the period ended 31st March 2005, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of 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 currently has three independent non-executive directors, Mr. Hsu Shin-Chun, Mr. Katsuo Ko and Mr. Lee Tiong-Hock. The latest meeting of the committee was held to review the results of the Group for the period.

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. 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 review period.

Purchase, Sale or Redemption of Shares and Convertible Bonds

There were no purchases, sales or redemptions of the Company's shares and the convertible bonds by the Company or any of its subsidiaries during the period.

Caution Statement

The Board wishes to remind investors that the financial statements and the financial outlines for the first quarter ended 31st March 2005 are based on the Group's internal records and management accounts. The financial statements for the first quarter ended 31st March 2005 have not been reviewed or audited by the auditors. The financial statements for the first quarter ended 31st March 2004 are extracted from the unaudited financial statements already disclosed by the Group and have been restated, and the financial statements for the year ended 31st December 2004 are extracted from the audited financial statements as contained in the 2004 Annual Report and have been restated. **Investors are cautioned not to unduly rely on financial data, statistics and comparison for the first quarter ended 31st March 2005. In the meantime, investors are advised to exercise caution in dealing in the shares of the Company.**

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. Katsuo Ko, Mr. Hsu Shin-Chun and Mr. Lee Tiong-Hock are independent non-executive directors of the Company.

By Order of the Board
Wei Ing-Chou
Chairman

Tianjin, the PRC, 25th May 2005

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

* *For identification purposes only*