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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

	2005	**2004 (restated)**	**Change**
• Turnover	US$1,845.609 million	US$1,466.889 million	+25.8%
• Group gross margin	31.33%	27.58%	+3.8ppt.
• Profit attributable to equity holders of the parent	US$123.529 million	US$286.429 million	-56.9%
• Profit attributable to equity holders of the parent before the inclusion of the exceptional income arising from disposal of partial interests in subsidiaries	US$123.529 million	US$13.474 million	+816.8%
• Earnings per share	US2.21 cents	US5.13 cents	-US2.92 cents
• Earnings per share before the inclusion of the exceptional income arising from disposal of partial interests in subsidiaries	US2.21 cents	US0.24 cents	+US1.97 cents
• Net cash from opertating activities	US$310.383 million	US$119.264 million	+160.3%
• Final dividend per ordinary share	US1.25 cents	US1.14 cents	+US0.11 cents

INTRODUCTION

In the year 2005, the acceleration of consumption structure upgrading and the high degree of urbanization were driving the PRC economy at a high speed. As a result of coping with the situation in adjusting the strategies and exploiting the markets by catching the right opportunities, “Master Kong” Instant Noodles and Tea Drinks continued to occupy the leading position in the market. Furthermore, the Group broke the record again and gained a brilliant growth in turnover. Sales performance for bakery and refrigerated products also achieved a fast growth. Although there are continuous price increases from flour, PET plastic resin and sugar, the Group’s performance was encouraging by the strategic direction of placing priority on improving profit and effective control from the Group’s management and marketing level. The Group’s total sales for the year have reached the level of US$1,845.609 million, 25.8% higher than in previous year. For the whole year, the Group’s profit attributable to shareholders amounted to US$123.529 million and earnings per share amounted to US 2.21 cents.

DIVIDENDS

The Group has maintained a strong foundation in its financial structure. Coupled with the 2005 excellent results and after taking into the consideration of the Group's overall operation, capital expenditures, working capital requirements and cash flow of the Group, the Board recommends to provide a return to our shareholders for their support by increasing the final dividend payout this year. The Board will recommend at the Annual General Meeting to be held on 12 June 2006 the payment of a final dividend of US 1.25 cents per share totaling US$69.859 million to shareholders whose names appear on the register of members on 9 June 2006 (shareholders who bought the Company's shares on or before 2 June 2006 and should ensure that transfers are lodged with the Company's Registrar in Hong Kong for registration no later than 4:00 p.m. on 6 June 2006). Together with the US 1.07 cents special dividend per share which was paid on 22 February 2006, total dividend per share for the year 2005 will be US 2.32 cents, total amount of dividend will be US$129.658 million. Final dividend in last year was US 1.14 cents and the total amount of dividend was US$63.712 million.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 7 June 2006 to Monday, 12 June 2006, both dates inclusive, during which period no transfer of shares will be effected for the purpose of determining a shareholders' list for the Annual General Meeting and the payment of the proposed final dividend.

In order to qualify for the dividend to be approved at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with Hong Kong Registrars Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:00 p.m. on Tuesday, 6 June 2006.

MANAGEMENT TEAM

Under the condition of continuous expansion and in-depth extension, the number of the Group's staff was only 25,273 at the end of the year. The Group's work force was benefited from the production skill improvement, the management system enhancement and the extraordinary talent policy.

In order to produce a more excellent enterprise, the Group has engaged the Directors of Production, R&D, Purchase and Human Resource with professional and reputable backgrounds. The efforts not only strengthen the Group's management but also promote the Group toward internationalization.

The Board of Directors would like to say their appreciation to the management team and all staff for their contribution. Due to their efforts, the Group overcame the big challenge and reached such bountiful results for the year.

RESULTS

The Board of Directors of Tingyi (Cayman Islands) Holding Corp. (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2005 are as follows:

CONSOLIDATED INCOME STATEMENT

	Note	**2005** ***US$'000***	2004 *US$'000* *(restated)*
Turnover	3	**1,845,609**	1,466,889
Cost of sales		**(1,267,453)**	(1,062,250)
Gross profit		**578,156**	404,639
Other net income		**25,706**	304,096
Distribution costs		**(337,583)**	(305,092)
Administrative expenses		**(49,938)**	(42,937)
Other operating expenses		**(27,325)**	(48,741)
Finance costs		**(8,597)**	(14,878)
Share of profits (losses) of associates		**7,508**	(698)
Profit before taxation	4	**187,927**	296,389
Taxation	5	**(17,419)**	(8,576)
Profit for the year		**170,508**	287,813
Attributable to:			
Equity holders of the Company	3	**123,529**	286,429
Minority interest		**46,979**	1,384
Profit for the year		**170,508**	287,813
Dividends	6	**129,658**	63,712
Earnings per share	7		
Basic		**US 2.21 cents**	US 5.13 cents
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

	Note	2005 *US$'000*	2004 *US$'000* *(restated)*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**991,279**	879,964
Intangible assets		**15,303**	—
Interests in associates		**54,863**	53,154
Interests in a joint venture		**—**	30,058
Premium for land lease		**54,446**	51,349
Available-for-sale financial assets/ Other non-current financial assets		**10,047**	3,109
Deferred tax assets		**5,379**	6,197
		1,131,317	1,023,831
Current assets			
Financial assets at fair value through profit or loss / Current financial assets		**2,633**	16,466
Inventories		**101,566**	96,590
Trade receivables	8	**84,573**	71,499
Prepayments and other receivables		**72,484**	66,257
Pledged bank deposits		**4,041**	1,394
Bank balances and cash		**152,316**	126,152
		417,613	378,358
Current liabilities			
Trade payables	9	**206,007**	188,398
Other payables		**139,130**	96,275
Current portion of interest-bearing borrowings		**119,648**	186,606
Advance payments from customers		**16,612**	7,372
Taxation		**3,503**	2,575
		484,900	481,226
Net current liabilities		**(67,287)**	(102,868)
Total assets less current liabilities		**1,064,030**	920,963

	Note	2005 US$'000	2004 US$'000 (restated)
Non-current liabilities			
Long-term interest-bearing borrowings		**32,880**	13,581
Other non-current payables		**8,168**	10,913
Employee benefit obligations		**5,793**	4,887
Deferred tax liabilities		**6,816**	6,176
		53,657	35,557
NET ASSETS		**1,010,373**	885,406
CAPITAL AND RESERVES			
Issued capital		**27,943**	27,943
Reserves		**714,381**	706,788
Proposed special dividend		**59,799**	—
Proposed final dividend		**69,859**	63,712
Total capital and reserves attributable to equity holders of the Company		**871,982**	798,443
Minority interest		**138,391**	86,963
TOTAL EQUITY		**1,010,373**	885,406

Notes:

1. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, and with the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In this year, the Group adopted all the new / revised HKFRS pertinent to its operations, which are effective for accounting period beginning on or after 1 January 2005. The adoption of these HKFRS mainly affects the presentation and disclosures of certain financial statements items and has no significant financial effects on the current period and the prior period presented. The details of major changes in accounting policies are summarised in note 2.

The measurement basis used in the preparation of the financial statements is historical cost, except for financial assets at fair value through profit or loss, which have been measured at fair value.

2. Changes in Accounting Policies

(a) HKAS 1 Presentation of financial statements

HKAS 1 has affected the presentation of minority interest, share of net post-tax results of associates, jointly controlled entities, discontinued operations and other disclosures. Comparative figures have been restated accordingly.

(b) HKAS 24 Related party disclosures

HKAS 24 has expanded the definition and the level of disclosure of related party transactions. The adoption of HKAS 24 have not resulted in material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosure made in the current year.

(c) HKFRS 3 Business Combinations

In previous periods, negative goodwill arising from acquisition of subsidiaries was credited to capital reserve in the year of acquisition. Upon the adoption of HKFRS 3, the Group recognised a transfer within equity by the transfer of the capital reserve of US$308,000 as at 1 January 2005 to opening retained profits for the year, without restating comparatives.

(d) HKAS 17 Leases

In prior year, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and accumulated impairment losses. Under HKAS 17 leasehold land is reclassified from property, plant and equipment to premium for land lease and amortised over the lease terms. Buildings continue to be classified as part of property, plant and equipment. The change in accounting policy has no effect on the previously reported accumulated profits and net assets.

(e) HKAS 32 Financial instruments: Disclosure and presentation and HKAS 39 Financial instruments: Recognition and measurement

The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. Until 31 December 2004, the Group classified investments into investment securities and other investments. Investment securities were stated at cost less provision for impairment losses that was expected to be other than temporary. Other investments were stated at their fair value. Changes in fair value were recognised in income statement as they arose.

In accordance with the provisions of HKAS 39, financial instruments have been classified into financial assets or financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Upon the adoption of HKAS 32 and HKAS 39, the Group's investment securities and other investments were re-designated as available-for-sale financial assets and financial assets at fair value through profit or loss respectively. The change in accounting policy has no effect on the previously report accumulated profits and net assets.

3. Turnover and contribution by product

The Group operates mainly in the PRC. Turnover and contribution to the Group's profit are mainly from the PRC.

An analysis of the Group's turnover and profits (losses) attributable to shareholders by major products is set out below:

	Turnover		Profits (losses) attributable to shareholders	
	2005	2004	**2005**	2004
	US$'000	*US$'000*	***US$'000***	*US$'000*
Instant noodles	**981,796**	849,932	**66,194**	17,478
Beverages	**702,348**	479,398	**46,909**	9,474
Bakery	**92,912**	83,833	**1,184**	(15,904)
Others	**68,553**	53,726	**9,242**	275,381
Total	**1,845,609**	1,466,889	**123,529**	286,429

4. Profit before taxation

Profit before taxation is stated after charging the following:

	2005	2004
	US$'000	*US$'000*
		(restated)
Depreciation	**94,401**	88,245
Amortisation:		
Premium for land lease	**1,382**	1,341
Intangible assets	**2,354**	—

5. Taxation

	2005	2004
	US$'000	*US$'000*
Current tax – PRC income tax		
Current year	**15,961**	8,601
Deferred taxation		
Origination and reversal of temporary differences	**1,458**	(25)
Total tax charge for the year	**17,419**	8,576

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

The provision for Hong Kong Profits Tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising from Hong Kong during the year.

Subsidiaries in the PRC which engage in manufacture and sale of food products 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.

6. Dividends

	2005	2004
	US$'000	*US$'000*
Final dividend proposed after the balance sheet date of US1.25 cents (2004: US1.14 cents) per ordinary share	**69,859**	63,712
Special dividend proposed after the balance sheet date of US1.07 cents (2004: Nil) per ordinary share	**59,799**	—
	129,658	63,712

At meetings held on 24 January 2006 and 24 April 2006, the directors recommended the payment of a special dividend and final dividend of US1.07 cents and US1.25 cents per ordinary share respectively.

The proposed special dividend and final dividend are not reflected as dividend payables in the balance sheet, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2006.

7. Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of US$123,529,000 (2004: US$286,429,000) and the weighted average of 5,588,705,360 (2004: 5,588,705,360) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2005 and 2004 have not been shown as the Company's convertible bonds outstanding in 2004 are anti-dilutive and were fully repaid in 2005.

8. 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 trade receivables (net of impairment losses for bad and doubtful debts) as of the balance sheet date is as follows:

	Group	
	2005	2004
	US$'000	*US$'000*
0 – 90 days	**74,018**	60,717
Over 90 days	**10,555**	10,782
	84,573	71,499

9. Trade Payables

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

	Group	
	2005	2004
	US$'000	*US$'000*
0 – 90 days	**188,994**	173,107
Over 90 days	**17,013**	15,291
	206,007	188,398

BUSINESS REVIEW

The PRC's gross domestic products (GDP) in the year 2005 achieved a growth of 9.9% and the total amount for retail market also increased by 12.9% from the previous year.

In 2005, the Group's turnover was US$1,845.609 million, an increase of 25.8% over 2004. The growth rates for turnover of instant noodle, beverage and bakery were 15.5%, 46.5% and 10.8% respectively. In the fourth quarter, the Group's turnover was US$399.748 million, 21.5% higher than the same period last year. The increase was mainly from sales growth in instant noodle and beverage.

During the year, in spite of the fact that the prices for the Group's core materials continued to stand at a high level, the Group's gross margin increased 3.7 ppt to 31.3% through flexible marketing strategy, effective production management and cost control. Other net income was US$25.706 million, sharply decreased by 91.6% from 2004. It was mainly because of the capital gain from the shares transfer last year. Due to effective management control, there was a decline of the distribution costs as a percentage of total sales declined by 2.5 ppt. to 18.3% in 2005 as compared to 20.8% from 2004. The Group also well controlled its overall advertising and promotional expenses. During the year, the portion of these expenses to total sales was 10.2%, last year was 12.5%. Finance costs decreased by 42.2% to US$8.597 million mainly because the Group made good use of the cash from the shares transfer to repay most of the loans and the excellent annual results led to a strong cash position of the Group.

A capital gain of US$272.955 million in 2004 was from the disposal of partial interests in subsidiaries. In 2004 earnings before interest, tax, depreciation and amortization (EBITDA) was US$398.945 million and the profit attributable to equity holders of the parent was US$286.429 million. In 2005 the EBITDA was US$291.387 million and the profit attributable to equity holders of the parent was US$123.529 million, representing earnings per share of US 2.21 cents. EBITDA and profit attributable to equity holders of the parent sharply increased by 131.3% and 816.8% respectively when compared the EBITDA and profit attributable to equity holders of the parent of US$125.990 million and US$13.474 million respectively before the inclusion of the exceptional income arising from disposal of partial interest in subsidiaries last year.

Instant Noodle Business

In year 2005, under the strategy of continuous consolidating and developing the "Beef Stew Flavor" noodle, instant noodle business strengthened from the introduction of various flavors with local delicious characters such as flavors of " Sichuan Spicy", "Seafood Plus", "Best of Yangtze River", "Mixed Chili" and "Homemade Sour". In addition, with the purpose of letting consumers enjoy delicious Asian flavors, "The Best of Asian Series" continued to launch new flavors and satisfied the consumers' demands for diversified flavors by extended package. Instant noodle business also invested more resources in sub-brand operation. The sales volume of "Mixed Noodle" reached the level of 488,000 boxes and acheived a new record in a single month. The Group's leading position in high-growth Mixed Noodle market was further strengthened. "Mian-Ba La Mian" continued to be popular by its "Experts Favorite Enjoyment" and satisfied the consumers' demands for high-quality noodles and, furthermore, established a new standard of markets' requirement on noodles.

In order to further strengthen and enlarge the Group's market share, under the policy of solidifying the cities' medium and high-end noodle market and expanding the rural low-end noodle market, the Fu Man Duo, which is principally engaged in the production and distribution of low-end instant noodles, has been separated into an independent business and "Yi Wan Xiang" brand has been reclassified as a sub-brand of Fu Man Duo.

In 2005, turnover for instant noodle business amounted to US$981.796 million, grew by 15.5% from previous year and representing 53.2% of the Group's total turnover. The growth mainly came from high-end packet noodles and container noodles. According to AC Nielsen's December 2005/January 2006 report, the Group gained 25.7% by sales volume and 36.9% market share by sales value in the PRC instant noodle market.

During the year, the gross margin of instant noodle increased by 4.4 ppt. to 23.7% and profit attributable to shareholders was US$66.194 million, grew by 278.7% mainly because of the improvement in gross margin led by the adjustment on products mix and effective control for operating costs.

Beverage Business

In year 2005, the Group continued to expand the market position in non-carbonated beverage. Along with the category's expansion and growth, the Group captured the market share actively through consolidating its platform in Ready to Drink ("RTD") teas and bottle water by "Master Kong" as a primary brand, at the same time, the Group adopted the dual-brand strategy for "Fresh Daily C" and "Master Kong" juice to capture the juice market.

According to AC Nielsen's December 2005/January 2006 report, Master Kong's RTD teas had 52.2% and 51.0% market share by sales volume and sales value respectively and still kept No.1 position in the market. The Group's diluted juice drinks gained No.2 position in the market with its 20.3% market share in sales volume. During the year, the flagship product "Ice Tea" continued to gain the absolute leading position in the market due to successful marketing strategy of "Celebrity + Music". With the increasing awareness of consumers' health concern, the Group promoted its products, including green tea, juice and mineral water, by using the "Fresh, Natural and Healthy" concept as an entry to the market. The Group also stressed product differentiation and adopted flexible marketing strategy. All these efforts had strengthen the consumers' demands successfully. The new product Jasmine Tea with appeal for "Faint scent of flowers, New flavor of tea" had succeeded in introducing the scented tea to RTD teas market and drove up the total sales to a new record.

In 2005, turnover for beverage business increased by 46.5% to US$702.348 million as compared to last year. The proportion to the Group's total turnover increased to 38.1%. During the year, the prices of main raw materials for beverage business such as PET plastic resin and sugar continued to maintain at a high level. Owing to the high efficient production facilities and the continuous effort in strengthening the production management capability, the gross margin of beverage business was able to maintain at 40.1% and last year was 39.6%. Profit attributable to shareholders was US$46.909 million, a sharp increase by 395.1% mainly because of the flexible marketing strategy and effective control over operating costs.

Bakery Business

In year 2005, the successful marketing policy of core products "3+2" Sandwich Crackers, Muffin and "Taste Biscuit" drove up the turnover for bakery business amounting to US$92.912 million, by 10.8% from previous year, representing 5.0% of the Group's total turnover. According to AC Nielsen's December 2005 report, "Master Kong" 's sandwich crackers gained 19.1% market share by volume and 24.0% market share by value and was No.2 in the PRC sandwich crackers market.

In view of the development of the PRC bakery market towards diversity of category and variety of package and flavor, the Group with its existing production facilities produce different flavors bakery to satisfy consumers' demands. The new product of the year, "Savory Taste Biscuit " performed beyond expectation. The joint venture company, which was established with Japanese Kameda Seika Co., Ltd., plans to launch a kind of new rice product in the second quarter of year 2006.

In the year of 2005, the gross margin of bakery business was 38.7%, grew by 3.9 ppt. when compared to the same period last year. The growth was mainly due to the sales focus on those high margin products and improved production efficiency. During the year, bakery business experienced a turnaround and profit attributable to shareholders was US$1.184 million, when compared to last year's loss was US$15.904 million.

Refrigerated Products Business

Currently, refrigerated products business only has one production centre in Hangzhou. After entering into China market for four years, its main products – "Wei Chuan Daily C" and "Wei Chuan Yogurt Drink" – have gained No.1 brand in Shanghai's pure fruit juice market and No.2 brand in Shanghai's yogurt market respectively. The distribution network had expanded to Guangzhou since the second quarter of 2005.

The Group's refrigerated products achieved a rapid increase in sales through its successful marketing strategies. These strategies included introducing the promotion theme for the brand image-building with "Health, Fashion and Confidence", positioning the products with a sense of high value, emphasizing on product differentiation and strengthening the communication between the products and consumers' benefits. Adding new flavors of current product series in year 2005 received good response from the market and increased the total sales by 50.3% as compared to last year.

FINANCING

The Group's healthy finance structure was mainly benefited from the stable cash flow of the Group as a result of the well-controlled accounts receivable and inventory. The seasonal fluctuation from the sales between the Group's instant noodle, beverages and bakery also maintain the Group's strong cash position. At the end of 2005, the Group's cash and bank deposit amounted to US$156.357 million, increased by US$28.811 million from previous year. The Group's total liabilities amounted to approximately US$539 million, representing an increase of US$22 million from US$517 million as at 31 December 2004. Total assets amounted to US$1,549 million. The gearing ratio calculated as total liabilities to total assets decreased by 2 ppt. to 34.8% as compared to 31 December 2004.

The main capital outlays were related to expenditure for acquisition of more instant noodle and bottle water production facilities. At the end of 2005, the group's total borrowings decreased by 23.8% or US$47.659 million to US$152.528 million. The Group adjusted the proportion between long-term loans and short-term loans from the previous year's "7% : 93%" to 2005's "22% : 78%". The Group has repaid the principal amount of the Group's 2002 Convertible Bonds which was due in June 2005 with a principal of US$90 million plus a redemption premium of US$9.932 million from operating cash and cash from the shares transfer during 2004. The total repayable amount was US$99.932 million. In 2005, the Group's Renminbi debts represented 19.5% of total debt and at the end of 2004 it was 31.0%. The Group's transactions are mainly denominated in Renminbi. Appreciation in the Renminbi in terms of US dollars 2.6% brought an exchange gain of US$19.059 million to the Group during the year. US$5.337 million and US$13.722 million of the exchange gain was included in the income statement and reserves from exchange translation respectively.

Financial Ratio

	For the year ended 31 December	
	2005	2004
Net Profit margin	**6.69%**	19.53%
Finished goods turnover	**9.61 Days**	10.73 Days
Accounts receivable turnover	**15.43 Days**	16.62 Days
Gearing ratio (Net debt to shareholders' equity)	**0.00 Times**	0.09 Times
Debt ratio (Total liabilities to total assets)	**34.77%**	36.86%

PRODUCTION SCALE

The Group has increased 27 production lines for instant noodle and all lines have been put in production in the fourth quarter of the year. The new lines will be fit for the high-growth demand of container and high-end package noodle and satisfy the continuously increased low-end instant noodle market in rural area. These efforts will enhance the Group's competitive ability in instant noodle market. The new factories, which are principally engaged in the production and distribution of low-end instant noodles, are located in Huaian, Liuyang, Nanyang and Tangshan. To face the high-growth bottle water market and further improve the Group's competitive ability in beverage market, the Group has added 12 production lines for bottle water in the big cities of Beijing, Nanjing, Suzhou, Shijiazhuang and Lanzhou and all production lines have been put into production during the year. Moreover, bakery business has increased a new production line of thin crackers to satisfy the consumers' demands.

In year 2006, the Group will invest US$210 million, which is mainly used in beverage and instant noodle production lines, in order to meet the rapid development of instant noodle and beverage markets. The expansion will strengthen the competitiveness and market share of the Group's two major business and further enhance the Group's position in PRC markets.

SALES NETWORK

At the end of 2005, the Group established a network with 361 sales offices, 72 warehouses and 66,085 direct retailers in the PRC. With the network, the Group's products and the new products can be distributed and launched directly to the appropriate market. In addition, to cope with the development in grand sales market and supermarkets, the Group has strengthened these direct sales networks and the training for frontline staff. The Group will continue to enhance "Better Access, Broader Reach" distribution strategy since the comprehensive sales network is the Group's valuable resources.

HUMAN RESOURCES

As of 31 December 2005, the Group employed 25,273 staff. The Group realizes the importance of human resources and, therefore, arranges a competitive salary packages, professional training courses, insurance, medical benefit and amenities to employees. The Group believes that a caring management policy for human resources will enhance employees' contribution to the Group.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

Throughout the year ended 31 December 2005, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "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 that:

1. there is no separation of the role of chairman and chief executive officer. Mr. Wei Ing-Chou currently assumes the role of both the Chairman and the Chief Executive Officer of the Company;

2. all Independent 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; and

3. Mr. Wei Ing-Chou, the Chairman of the Board of the Company does not need to retire by rotation.

However, at present, the chairman of each of the Company's subsidiaries is responsible for the operation of the respective subsidiary. Due to the need of business development considerations, Mr. Wei lng-Chou is required to act as the chairman of certain subsidiaries. Except for these subsidiaries, the Chief Executive Officer of the Group has not act as the Chairman of other subsidiaries. In practise, there is effective separation of the roles between the Chairman of the Company's subsidiaries and the Chief Executive Officer of the Group. Mr. Wei Ing-Chou has been in charge of the overall management of the Company since the listing of the Company in 1996. Although Mr. Wei Ing-Chou does not need to retire by rotation and assumes the role of both the Chairman and the Chief Executive Officer of the Company, the Company considers that such arrangement at this stage helps to promote the efficient formulation and implementation of the Company's strategies which will enable the Group to further develop its businesses effectively. With the above balancing mechanism of chairman of subsidiaries and the supervision of the Board and the independent non-executive directors, the interests of the shareholders are adequately and fairly represented.

The Company is taking steps towards the adoption of appropriate measures to ensure that the Company's corporate governance practices comply to the Code.

Audit Committee

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, financial statements and internal control procedures. It also acts as an important link between the Board and the Company's auditors in matters within the scope of the group audit. Four meetings were held during the financial year ended 31 December 2005. The latest meeting of the Committee was held to review the results of the Group for the year.

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.

PROSPECTS

Due to the PRC's market consumption continuous increase of total retail and consumer expenditure, the growth of instant foods will be expanded directly. The Group's business will benefit from it.

The Group pays attention to its products' popularity and local features simultaneously. Such characteristics of products will help the Group expand its sales area and distribution network, strengthen its direct-selling ability of modern logistics, continosly enlarge its market share, consolidate its market position, broaden its leading gap and improve its overall marketing ability.

In year 2006, the price of raw material will continue to stand at a high level. The Group will further refine its production process and strengthen its management and cost control in order to stabilize the Group's gross margin level. At the same time, the Group will continue to launch high quality products in order to enhance the loyalty and trust of consumers and strengthen the image of leading brand.

Furthermore, the Group will introduce the competitive and high gross margin products timely by a combination of strategic partners and current team.

The Group has taken the first priority for the products' quality and safety and will continue to improve the quality control system and establish the concept of "All QC".

In year 2006, under the strategy of "Go from Strength to Strength for the Quest of Excellence", the Group will expand its total performance and establish itself as a good international company.

In year 2005, the Group's total turnover and EBITDA before the inclusion of the exceptional income arising from disposal of partial interest in subsidiaries last year increased by 25.8% and 131.3% respectively. The management has the confidence that the Group's turnover and EBITDA will keep a double-digit growth in next 3 years and create the appreciation of shareholders value continuously. In the first quarter of 2006, the Group's total turnover increased 29.4% when compared to the same period in 2005.

PURCHASE, SALE OR REDEMPTION OF SHARES AND CONVERTIBLE BONDS

There were no purchases, sales or redemptions of the Company's shares and convertible bonds by the Company or any of its subsidiaries during the year. The Group's 2002 Convertible Bonds have been due in June 2005 and the Group has repaid the principal amount of US$90 million plus a redemption premium of US$9.932 million.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) 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 and the Company's website www.tingyi.com in due course.

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. Junichiro Ida are executive directors of the Company. Mr. Kazuo Ogawa, 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, 24 April 2006

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

* *For identification purposes only*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING of the Company will be held at the Conference Room, No. 15, the 3rd Avenue, Tianjin Economic-Technological Development Area, Tianjin, The People's Republic of China ("PRC") on Monday, 12 June 2006 at 3:00 p.m. for the following purposes:

1. To receive and consider the audited accounts and the reports of the directors and the auditors for the year ended 31 December 2005;

2. To declare the payment of a final dividend for the year ended 31 December 2005;

3. To consider the re-election of the retiring directors, including Mr. Takeshi Ida, Mr. Ryo Yoshizawa, Mr. Wei Ying-Chiao and Mr. Kazuo Ogawa, whose biographical details have been disclosed in the circular, and to authorise the Directors to fix the directors' remuneration;

4. To re-appoint Moores Rowland Mazars, Certified Public Accountants, as auditors of the Company and authorize the Directors to fix their remuneration;

To consider and, if thought fit, pass the following resolutions as Ordinary Resolutions of the Company:

5. "**THAT** there be granted to the Directors an unconditional general mandate to issue, allot and deal with additional shares in the capital of the Company, and to make or grant offers, agreements and options in respect thereof, subject to the following conditions:

   (a) such mandate shall not extend beyond the Relevant Period save that the Directors may during the Relevant Period make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

   (b) the aggregate nominal amount of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors otherwise than pursuant to

      (i) a Rights Issue, and

      (ii) any option scheme or similiar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, shall not exceed 20 per cent of the aggregate nominal amounts of the share capital of the Company in issue as at the date of passing of this Resolution; and

   (c) for the purposes of this Resolution:

      "Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

      (i) the conclusion of the next annual general meeting of the Company;

      (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and

(iii) the revocation or variation of this Resolution by an Ordinary Resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means the allotment or issue of shares in the Company or other securities which would or might require shares to be allotted and issued pursuant to an offer made to all the shareholders of the Company (excluding for such purpose any shareholder who is resident in a place where such offer is not permitted under the law of that place) and, where appropriate, the holders of other equity securities of the Company entitled to such offer, pro rata (apart from fractional entitlements) to their existing holdings of shares or such other equity securities."

6. "**THAT** there be granted to the Directors an unconditional general mandate to repurchase shares in the capital of the Company, and that the exercise by the Directors of all powers of the Company to purchase shares subject to and in accordance with all applicable laws, rules and regulations be and is hereby generally and unconditionally approved, subject to the following conditions:

(a) such mandate shall not extend beyond the Relevant Period;

(b) such mandate shall authorize the Directors to procure the Company to repurchase shares at such prices as the Directors may at their discretion determine;

(c) the aggregate nominal amount of the shares repurchased by the Company pursuant to paragraph (a) of this Resolution during the Relevant Period shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution; and

(d) for the purposes of this Resolution "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and

(iii) the revocation or variation of this Resolution by an Ordinary Resolution of the shareholders of the Company in general meeting."

7. "**THAT**, conditional upon the passing of Resolutions 5 and 6 set out above, the aggregate nominal amount of the shares which are repurchased by the Company pursuant to and in accordance with Resolution 6 above shall be added to the aggregate nominal amount of the shares which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to and in accordance with Resolution 5 above."

By Order of the Board
Ip Pui Sum
Company Secretary

Tianjin, PRC, 24 April 2006

Notes:

1. The register of members of the Company will be closed from 7 June 2006 to 12 June 2006, both days inclusive, for the purpose of determining a Shareholders' list for the Meeting and the payment of the proposed final dividend. In order to qualify for the proposed final dividend, all transfer accompanied by the relevant share certificate must be lodged with HKSCC Registrars Limited not later than 4:00 p.m. on Tuesday, 6 June 2006. The directors will recommend a final dividend of US1.25 cents (HK9.70 cents) per ordinary share be paid to the shareholders whose names appear on the Registers of Members as at 12 June 2006. Dividend warrants will be mailed to shareholders on or before 28 July 2006. The dividend for shareholders in Hong Kong will be paid in Hong Kong dollars.

2. Any shareholder entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.

3. For a shareholder who appoints more than one proxy, the voting right can only be exercised when a poll is taken.

4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing. The instrument appointing a proxy, and if such instrument is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarized copy of that power of attorney or other authority shall be deposited at Suite 3807, 38/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong not less than 48 hours before holding the Meeting.

5. Shareholders who intend to attend the meeting shall complete and lodge the attached reply slip to show their intention to attend the meeting with the Company at Suite 3807, 38/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on or before 9 June 2006. The reply slip may be delivered to the Company by hand, by post, by cable or by facsimile.