***Tingyi's** profit attributable to equity holders of the Company in 2007 reached US$195 million with 9.85 billion units in sales of instant noodles and 10.87 billion units in package drinks. Master Kong products are now highly appreciated by China consumers…*

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 2007

US$ million	2007	2006		Change
• Turnover	**3,215.404**	2,331.733	↑	37.90%
• Group gross margin (%)	**31.58**	32.27	↓	0.69 ppt.
• Profit for the year	**280.948**	212.834	↑	32.00%
• Profit attributable to equity holders of the Company	**194.837**	148.925	↑	30.83%
• Earnings per share (US cents)	**3.49**	2.66	↑	0.83 US cents
• Net cash from operating activities	**486.985**	397.808	↑	22.42%
• Final dividend per ordinary share (US cents)	**1.62**	1.38	↑	0.24 US cents

INTRODUCTION

China's economy in the year 2007 continued to be on the fast track. Although the increasing inflation pressure remained a great concern for the economy, the growth was one of the fastest years in its recent economic history and its economic structure, efficiency and the well-being of the people were improved. Domestic consumption bloomed and accelerated. Average income level and spending power continued to get better, resulting in the enhancement of urban and rural consumption patterns.

Capitalizing on the booming economy, the Group actively innovated its products and incessantly explored and opened up new markets. While steadfastly securing Master Kong's leading position in both instant noodle and ready-to-drink ("RTD") tea products, we managed to leapfrog to the number one position in bottled water by market share. The results of our bakery business segment turned into profit, thanks to the new strategy. The refrigeration segment also made its strategic adjustment to cope with the changing market conditions. Thanks to the strenuous work of our various business segments, the Group's turnover achieved a new high and performed outstandingly. Hence we are confident and filled with hope that our future business will continue to thrive.

Prices of the Group main raw materials such as flour, palm oil and PET resin continued to rise, putting tremendous pressure on the Group's production costs and profitability. At the same time having to set our priorities on food safety standard and consumer satisfaction, the Group adopted a strategy that had improved its management system, refined its production management and effectively controlled its costs. Thus, our business results achieved another new high. For the year 2007, the Group's total turnover amounted to a new high of US$3,215.404 million, up 37.9% from the previous year. This results in profit attributable to equity holders of US$194.837 million, up 30.8% from that of a year ago. Earnings per share was US3.49 cent.

DIVIDENDS

Owing to the Group's 2007 excellent results and considerating the overall operation, capital expenditures, working capital requirements and cash flow of the Group, I recommend to the Board 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 2 June 2008 the payment of a final dividend of US1.62 cents per share totaling US$90.537 million to shareholders whose names appear on the register of members on 2 June 2008 (shareholders who bought the Company's shares on or before 26 May 2008 should ensure that transfers are lodged with the Company's Registrar in Hong Kong for registration no later than 4:30 p.m. on 28 May 2008). Together with the US1.07 cents special dividend per share which was paid on 14 March 2008, total dividend per share for the year 2007 will be US2.69 cents and total amount of dividend will be US$150.336 million. Final dividend and special dividend in last year was US1.38 cents and US1.07 cents respectively. The total amount of dividend in last year was US$136.923 million.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 29 May 2008 to Monday, 2 June 2008, 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.

MANAGEMENT TEAM

The number of staff employed by the Group has increased to 45,990. With the robust growth of the Chinese market and its fierce competition, human resources become a major bottleneck for the development of each enterprise. To cope with this, we have formulated a plan to continue to recruit high calibre staff. The implementation of our policy to retain talents has successfully convinced our management teams to serve the Group wholeheartedly. Also, the Group will continue to monitor critical positions and critical functions and pave ways for grooming of successors. During the year, the Group send staff of outstanding performance to Japan for training to help the Group to sustain its rapid growth in this fiercely competitive market after their return.

Finally, on behalf of the Board, I would like to take this opportunity to express our heartfelt appreciation to our shareholders, business partners and financial institutions who have given their support to our Group, and to the management teams and all other staff for their strenuous works and contributions to the Group's business development.

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 2007 are as follows:

CONSOLIDATED INCOME STATEMENT

	Note	**2007**	2006
		US$'000	*US$'000*
Revenue	4	**3,215,404**	2,331,733
Cost of sales		**(2,199,863)**	(1,579,302)
Gross profit		**1,015,541**	752,431
Other net income		**51,340**	37,360
Distribution costs		**(614,930)**	(445,810)
Administrative expenses		**(73,200)**	(56,236)
Other operating expenses		**(50,168)**	(47,018)
Finance costs		**(19,418)**	(10,856)
Share of results of associates		**8,074**	6,860
Profit before taxation	5	**317,239**	236,731
Taxation	6	**(36,291)**	(23,897)
Profit for the year		**280,948**	212,834
Attributable to:			
Equity holders of the Company		**194,837**	148,925
Minority interests		**86,111**	63,909
Profit for the year		**280,948**	212,834
Dividends	7	**150,336**	136,923
Earnings per share	8		
Basic		**US3.49 cents**	US2.66 cents
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

	Note	**2007**	2006
		US$'000	*US$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**1,567,348**	1,230,375
Intangible assets		**11,701**	13,371
Interests in associates		**33,929**	42,704
Lease premium for land		**65,594**	60,047
Available-for-sale financial assets		**3,724**	10,303
Deferred tax assets		**5,379**	5,379
		1,687,675	1,362,179
Current assets			
Financial assets at fair value through profit or loss		**21,439**	32,605
Inventories		**155,217**	111,955
Trade receivables	9	**114,391**	94,239
Prepayments and other receivables		**112,807**	75,249
Pledged bank deposits		**3,030**	2,244
Bank balances and cash		**239,862**	161,676
		646,746	477,968
Current liabilities			
Trade payables	10	**334,041**	256,797
Other payables		**248,979**	174,135
Current portion of interest-bearing borrowings		**291,481**	239,761
Advance payments from customers		**43,045**	18,372
Taxation		**7,122**	6,455
		924,668	695,520
Net current liabilities		**(277,922)**	(217,552)
Total assets less current liabilities		**1,409,753**	1,144,627

	Note	**2007**	2006
		US$'000	*US$'000*
Non-current liabilities			
Long-term interest-bearing borrowings		**106,946**	28,320
Other non-current payables		**2,861**	3,344
Employee benefit obligations		**7,893**	6,885
Deferred tax liabilities		**10,358**	8,089
		128,058	46,638
NET ASSETS		**1,281,695**	1,097,989
CAPITAL AND RESERVES			
Issued capital		**27,943**	27,943
Reserves		**849,382**	748,476
Proposed special dividend		**59,799**	59,799
Proposed final dividend		**90,537**	77,124
Total capital and reserves attributable to equity holders of the Company		**1,027,661**	913,342
Minority interests		**254,034**	184,647
TOTAL EQUITY		**1,281,695**	1,097,989

Notes:

1 Basis of preparation

The measurement basis used in the preparation of these financial statements is historical cost, except for financial assets at fair value through profit or loss, which have been measured at fair value as explained in the accounting policies set out below.

2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December each year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All inter-company transactions and balances within the Group are eliminated on consolidation. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests are that portion of profit or loss and net assets of subsidiaries attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Company.

3 Adpotion of new/revised HKFRS

HKAS1 (Amendment): Capital disclosures

The amendment introduces additional disclosure requirement to provide information about the level of capital and the Group's objectives, policies and processes for management capital.

HKFRS 7: Financial instruments: Disclosures

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial instruments: Disclosure and presentation.

The adoption of the HKFRS 7 and amendment added to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

4. Revenue and contribution by product

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

An analysis of the Group's revenue and profit attributable to equity holders of the Company by major products is set out below:

	Revenue		**Profit attributable to equity holders**	
	2007	2006	**2007**	2006
	US$'000	*US$'000*	***US$'000***	*US$'000*
Instant noodles	**1,488,086**	1,051,915	**94,167**	74,399
Beverage	**1,519,194**	1,093,354	**89,152**	67,269
Bakery	**109,660**	97,163	**4,221**	4,079
Others	**98,464**	89,301	**7,297**	3,178
Total	**3,215,404**	2,331,733	**194,837**	148,925

5. Profit before taxation

Profit before taxation is stated after charging the following:

	2007	2006
	US$'000	*US$'000*
Depreciation	**147,774**	106,902
Amortisation:		
Lease premium for land	**2,256**	1,626
Intangible assets (included in other operating expenses)	**1,670**	1,932

6. Taxation

	2007	2006
	US$'000	*US$'000*
Current tax – PRC Enterprise Income Tax		
Current year	**34,022**	22,624
Deferred taxation		
Origination and reversal of temporary differences, net	**2,269**	1,273
Total tax charge for the year	**36,291**	23,897

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 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. Most of the subsidiaries are located at economic development zones and are subjected to a preferential PRC Enterprise Income Tax rate of 15%. Also, they are fully exempt from PRC Enterprise Income Tax 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 ("Tax Holidays").

Under the new tax law which has taken effect as from 1 January 2008, the preferential PRC Enterprise Income Tax rate of 15% will increase gradually to 25% over five years. All Tax Holidays will expire at the end of 2012.

7. Dividends

(a) Dividends attributable to the year:

	2007	2006
	US$'000	*US$'000*
Final dividend proposed after the balance sheet date of US1.62 cents (2006: US1.38 cents) per ordinary share	**90,537**	77,124
Special dividend proposed after the balance sheet date of US1.07 cents (2006: US1.07 cents) per ordinary share	**59,799**	59,799
	150,336	136,923

At meetings held on 14 February 2008 and 21 April 2008, the directors recommended the payment of a special dividend and final dividend of US1.07 cents and US1.62 cents per ordinary share respectively.

The proposed special dividend and final dividend have not been recognised as dividend payables in the balance sheet, but will be reflected as an appropriation of retained profits for the year ending 31 December 2008.

8. Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of US$194,837,000 (2006: US$148,925,000) and the weighted average of 5,588,705,360 (2006: 5,588,705,360) ordinary shares in issue throughout the year.

The Company has no dilutive potential ordinary shares for the years ended 31 December 2007 and 2006.

9. 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 at the balance sheet date is as follows:

	2007	2006
	US$'000	*US$'000*
0 - 90 days	**105,115**	87,742
Over 90 days	**9,276**	6,497
	114,391	94,239

10. Trade Payables

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

	2007	2006
	US$'000	*US$'000*
0 - 90 days	**318,190**	242,801
Over 90 days	**15,851**	13,996
	334,041	256,797

BUSINESS REVIEW

In 2007, the PRC sustained a steady yet rapid growth in its gross domestic products ("GDP"). GDP grew up by 11.4% in the year, manifesting consecutive growths of exceeding 10% p.a. over the past four years. Sales amount of social consumables surged even further by 13.1% compared with a year before.

In 2007, the Group's turnover was US$3,215.404 million, an increase of 37.9% over 2006. The growth rates for turnover of instant noodle, beverage and bakery were 41.5%, 38.9% and 12.9% respectively. In the fourth quarter, the Group's turnover was US$717.723 million, 38.5% 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 main raw materials remained at a high level, the Group's gross margin only slightly decreased 0.69ppt. to 31.6% through flexible marketing strategy, effective production management and cost control. Due to the extensive advertising strategy and strengthening sales network, the distribution costs as percentage of total sales maintained at last year's level of 19.1%. Finance costs increased by 78.9% to US$19.418 million mainly due to the increase in bank borrowing for capital expenditure and purchasing of raw materials. During the year, the Group maintained a stable and healthy finance structure and a strong cash position.

In 2007 earnings before interest, tax, depreciation and amortization (EBITDA) was US$478.306 million and the profit attributable to equity holders of the company was US$194.837 million which were sharply increased substantially by 35.5% and 30.8% respectively when compared to last year. Basic earnings per share was US3.49 cents.

Instant Noodle Business

The rising raw material costs worldwide have affected the development of manufacturing industries in China. With the high prices of palm oil price and flour, China's food manufacture industry has become more difficult. Small factories with lower capacity and inefficient productivity either cease their business or pull out the market. It provides a great opportunity to the market leader to continue their business, promote the products with new flavors and strengthen the brand name in order to cater the various needs of different consumers in different location.

The Group's mainstream noodle flavor — the "Hong Shao Niu Rou Mian (soy-braised beef flavor noodle)" — has gained wide popularity among consumers throughout China. Other series of flavors such as the "Xiang La Niu Rou (Spicy Beef)", the "La Xuan Feng (Spicy Whirlwind)", the "Hai Lu Xian Hui (The Mixed Taste of Sea and Land Foods)", etc. have successfully established their image as trendy delicacies. New flavors rolled out to meet the tastes of various consumers in different locations included "Ben Bang Shao" , "You Po La Zi" , "Lao Hou Jing Soup". Also launched simultaneously were the "Lao Hou Sheng Yang" series of flavors. Concerning auxiliary brands, the launch of "Shimianbafan Gan Ban Mian" further solidified Master Kong's leading position in the rapidly growing mixed fried noodle market segment. "Mianba La Mian" has effectively satisfied consumers who crave for quality noodle. "Jin Shuang La Mian" and "Hao Zi Wei" have made their foray in the medium/low-end market segments. Thus, through the careful planning of product introductions, our noodle business flourished.

In the low price noodle market segment, we have made "Fumanduo" a primary brand. The "Super Fumanduo" aims to attract young consumers while the "Gold Mark Fumanduo" forges the "Jin Niu (Taurus)" brand. For the 2nd/3rd/4th level markets we launched the "Fumanduo Yi Wan Xiang" and the "Fumanduo" corporate brand products. In the dry and crispy segment, the "Fu Xiang Cui Da Kuai Bao" was launched to increase the brand's added value. Thus, the improved and refined product introductions has worked to grow the Group's low price market.

According to December 2007's latest survey carried out by ACNielsen on retails, Master Kong's sales volume and turnover of instant noodles respectively shared 34.5% and 47.0% of the market, among which noodles with high-end containers represented 66% of the market turnover and high-end packet noodles shared 66% of the market turnover, steadfastly securing the leading position for more than ten years.

The construction of higher efficiency manufacturing plants as well as the adoption of the TPM and 5S improvement tools have improved productivity effectively and increased production efficiency, thus alleviated the pressure on production costs from the rising raw material prices and labor cost.

The Group's instant noodle business continued to grow rapidly thanks to the good taste, the edge of brand image and quality service. By gearing up its product value, perfecting its product mix, intensively cultivating its distribution channels, building higher efficiency production plants, promoting activities such as TPM that fine tune production, and strengthening management mechanism, the Group has effectively coped with the challenging environment and grasped the opportunities, to be the leader in the instant noodle market.

In 2007, turnover for instant noodle business amounted to US$1,488.086 million, grew by 41.5% from previous year and represented 46.3% of the Group's total turnover. Although the price of main raw material of palm oil and flour increased 66% and 10% respectively in the fourth quarter, during the year, the gross margin of instant noodle only decreased by 1.3ppt. to 25.4% and gross profit increased by 34.7% compared with last year. The performance was mainly because of: (1) the adjustment on products mix, thus sales value for high-end container noodles and high-end packet noodles have grown by 45.5%; (2) the effective control of operating costs through enhancement of production efficiency; and (3) the agile pricing mechanism. Profit attributable to equity holders of instant noodle business was US$94.167 million, grew by 26.6%.

Beverage Business

In 2007, the Group's RTD tea series maintained their leading positions in the non-carbonated beverage market. While simultaneously forging a tea specialist image, we incorporated some trendy elements — the new bottle shape for green tea, new packing, the deployment of the hot balloon activity to create public attention, activating brand image and the intense communication with consumers — to effectively build a further lead over major competitors. The flagship Master Kong ice tea was used as the basis for vigorous brand promotion activities including using music as a mean to expand the ice tea market and maintain its dominating leading position.

Through the allocation of resources, narrowing the distance between the production and the target market locations and the rapid expansion of our distribution network, our bottled water made its vigorous penetration in the market. "Fresh and natural" mineralized water has been well recognised and liked by the mass consumers.

The competition in the fruit juice market turned out to be even keener. In pursuit of trendy life style, nutrition and health are the main considerations of the young consumers. With this in mind, we have selected a celebrity – Liang Jing Ru, whose image is healthy, trendy and active, to be our spokeswoman. Together with product differentiation and an agile market strategy, we have successfully managed to satisfy the consumer mass's cravings. Hence the aggregate turnover of the beverage business surged to a new high.

The latest study by ACNielsen in December 2007 showed that the sales of Master Kong's RTD tea products had a market share of 51.9%, which again took the leading position among its competitors. Bottled water shared 15.4% of the market, which jumped to become the number one brand in the country. In the area of fruit juice, the duo brands — "Fresh Daily C" and "Master Kong" — commanded a market share of 16.5%, the third place in the diluted fruit juice market.

The Group's outstanding performance in the beverage business could be attributed to its effective management mechanism and its good product mix. Advanced technological production plants and equipments have been introduced to control production process. Both ISO 9002 and HACCP systems were implemented to ensure effective product quality control throughout the processes. Processing modes within the supply chain were smoothed to ensured low-cost processing. A reliable and stable product quality has helped the Group to gain the leading position in the industry.

In 2007, turnover for beverage business increased by 38.9% to US$1,519.194 million as compared to last year and its proportion to the Group's total turnover increased to 47.2%. During the year, the prices of main raw materials maintained at a high level. Owing to the efficient production management capability, production cost was able to be controlled. However, sales value of mineralized water with a comparatively lower gross margin had grew by 67.3% causing the overall gross margin of beverage business to drop by 0.1ppt. to 36.8% with overall gross profit increased 38.5%. Profit attributable to equity holders of beverage business was US$89.152 million, an increase by 32.5%.

Bakery Business

The turnover of the bakery business segment in 2007 amounted to US$109.660 million, representing an increase of 12.9% compared with last year. In year 2007, gross margin for Bakery business was 38.3% and profit attributable to equity shareholders reached US$4.221 million. The increase in sales and profit is resulted from the promotion of core bakery products, such as the "3+2" Sandwich Cracker, Muffin and Tasty Crisp, and the refined and accurate sales strategy. According to ACNielsen's survey in December 2007, Master Kong had respective market shares of 22.7% and 25.6% in sales volume and turnover in the sandwich cracker market, a second place among the market leaders.

The Group strategies for the year 2008 are to maintain core products, execute refined and accurate sales and distribution mechanism and develop the modernization of traditional delicacies. n the bakery business segment, we strive to build the "Master Kong's bakery kingdom".

Refrigeration Business

The development of the Group's refrigeration business in 2007 was stable. Fresh Daily C Juice became the leading fruit juice brand in Eastern China and had more than 37% market share in Shanghai. The sales of Wei Chuan Active Lactobacillus Drinks increased significantly by 67% while market share in Shanghai increased to 33%. The family size Active Lactobacillus Drink package was launched in March 2007 to enhance consumption. The new Aloe flavor Active Lactobacillus Drinks was rolled out in November 2007 in order to sustain our brand image as an innovator. Wei Chuan Yogurt launched a series of healthy coarse grain products with the appealing nutrition value of barley — the building up of a "healthy, supreme and relaxing" brand image. Wei Chuan's Bernachon coffee series upgraded a new taste from its original Latte flavor and launched the "Au Lait" to suit the cravings of current consumers.

The refrigerated business's product quality management passed the reexamination of QS certification and the HACCP.

FINANCING

The Group's healthy finance structure had benefited from the stable cash flow of the Group as a result of the well-controlled trade receivables, trade payables and inventories. At the year end, the Group's cash and bank deposit amounted to US$242.892 million, an increase of US$78.972 million from previous year. The Group's total liabilities amounted to approximately US$1,052.726 million, represented an increase of US$310.568 million from US$742.158 million as at 31 December 2006. Total assets amounted to US$2.334 billion. The debt ratio calculated as total liabilities to total assets increased by 4.8 ppt. to 45.1% as compared with 31 December 2006. The increase in debt ratio was because both trade payables and long term loans have increased mainly for increases in capital expenditures and purchases of more raw materials, in line with the increase in activities.

At the end of 2007, the Group's total borrowings increased by US$130.346 million to US$398.427 million. The increase in borrowings were mainly used for the acquisition of more instant noodle and bottle water production facilities. The Group's proportion of the total borrowings denominated in foreign currency and Renminbi was 50.3% and 49.7% respectively, as compared with 60.4% and 39.6% respectively last year. The Group adjusted the proportion between long-term loans and short-term loans from the previous year's "11%: 89%" to 2007's "27%: 73%". The Group's transactions are mainly denominated in Renminbi. Appreciation in Renminbi in terms of US dollars 6.5% brought an exchange gain of US$64.355 million to the Group during the year. US$7.950 million and US$56.405 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	
	2007	2006
Net Profit margin	**6.06%**	6.39%
Finished goods turnover	**8.95 Days**	9.92 Days
Trade receivables turnover	**11.84 Days**	14.00 Days
Gearing ratio (Net debt to shareholders' equity)	**0.15 Times**	0.11 Times
Debt ratio (Total liabilities to total assets)	**45.10%**	40.33%

PRODUCTION SCALE

In 2007, the Group has built instant noodle plants in Chongqing and Gaobeidian. The relocated Tianjin plant and new plants in Chengdao and Nanjing will also commence production in 2008 and 2009 respectively. These efforts will enhance the Group's leading position in the instant noodle market. In 2007, our beverage segment continued to extend its production in Shenyang, Tianjin, Xian, Qiqihar, Mudanjang River, Ningbo, Amoy, Shanghai, Nanchang, Xiangfan, Jiangmun and Shenzhen. These twelve plants have commenced production in 2007 which further enhanced the Group competitiveness.

HUMAN RESOURCES

As at 31 December 2007 the Group employed 45,990 (2006: 32,631) employees.

In 2007 the Group continued its policy to create more value of its personnel and maintained a human resources direction for its long-term competitiveness. With comprehensive development strategies on human resources, including the recruitment, training, deployment and retention of talents, the Group shall be better equipped to retain staff and groom successors.

We have an appraisal system that coordinates with the future development plan of the Group and will cultivate and assign right talents for appropriate positions and right responsibilities. To nurture our staff to becoming international professionals, we continue to send staff for overseas training to learn advanced management philosophy and technologies. We maintain a function-based training system to improve our professional training mechanism. In accordance with government policy, we will continue to monitor our human resources management regulations to avoid unnecessary operational risk. We will continue to formulate personal development plans, which include studying and formulating compensation, fringe benefit and stimulating policies, for retaining talents so that there is win-win between staff and enterprise. On 20 March 2008, the Group provided a share option scheme to some of its staff.

We recognise that talented employees is one of Master Kong's competitive edges. Consequently, we will continue to put significant emphasis on training staff, development and retention.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

Throughout the year ended 31 December 2007, 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 practice, 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 has taken steps towards the adoption of appropriate measures to ensure that the Company's corporate governance practices comply with 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 2007. 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 standards as set out in the Model Code throughout the review period.

PROSPECTS

The rapid growth of China's economy has resulted in rapid urbanization. Consumption structure is upgrading. Hence, the market for domestic consumption remains to be of great potential. In 2007, the food and beverage industry sustained its long-term growth. Mergers and acquisitions, food safety and the Olympic Game became the hot topics. This year we are going to have the 2008 Olympic Game while 2010 will be the year for World Expo in China. These events will put China in the international limelight. Multinational enterprises, including those in the food and beverage industry, will be attracted to the Chinese market. These factors, coupled with the rising energy and raw material prices will make the next few years challenging for our management team. In order to keep our leading positions in the Chinese market, the Group will strive to maintain its long-term growth by pursuing a brand identity that embraces "good taste, health and safety" and through continuing new product development and marketing.

Thanks to China's blooming consumer market and the strenuous team efforts of our operations, 2007 was a year that we performed well above expectations. We remain confident for 2008. To grasp this opportunity, we will increase our investment and actively expand our production capacities in beverages and instant noodles. We will also review our non-core business investment in order to rationalize the allocation of our existing resources. Competitive products will be further explored in order to strengthen the Group's operations.

Looking forward, (1) we will continue developing instant noodles that have local flavors to maintain the leading position. We will also create our image as a fashionable instant noodle specialist to secure our leading position in the high-end market. As an overall corporate strategy, we will compete aggressively by increasing our market share in the low-price noodle market. (2) On beverage, we will continue to expand our sales to increase market shares through introduction of new products. It is expected that our beverage business will continue to grow in 2008. (3) As to the bakery and refrigeration business, we will consolidate and continue to expand the development of differentiated products. More efforts will be spent on R&D to create more products that taste good and are nutritional and healthy. (4) The Group recognises that for consumer products that command fast turnover effective and efficient distribution channels are of essence. As a result, the Group will continue with its refined sales strategy towards the opening of new market and to remain well prepared in the competitive market.

It is expected that prices of raw materials such as palm oil will continue to rise in the year 2008. The Group will continue to deploy advanced equipment to reduce unit production cost and maintain a stable gross profit margin. In order to meet with its corporate development requirements, the Group will hire talents of high calibre and will enhance its internal control management system. More effective management monitoring and supervision methods will be applied to ensure effective management throughout the Group. Production departments will focus on quality management by introducing critical production technologies and enhancing quality assurance capacity. The sales department will focus on brand building, the intense cultivation of sales channels and regulating sales and market management to walk an extra mile for sales activity.

For enterprises that face fierce market competition, it has become more and more obvious that brand identity is extremely important. Branding has become a mainstay that enterprises hinge on for survival and development. In the future, we will establish a mechanism of Enterprise Risk Management ("ERM") and implement the Corporate Identity System ("CIS") to strengthen the "Master Kong" brand reputation and awareness. We will incessantly expand our branding influence to be the avant-garde leader in the Chinese market and give impetus to the corporation's sustaining and steadfast growth.

In the first quarter of 2008, the Group had a brilliant performance with an increase of 43.6% in turnover. Such achievement can boost morale of the management team. We are confident that turnover and EBITDA will continuously achieve doubt-digit growth in 2008.

The Group has the vision and the will to forge a "centennial enterprise". We have our social objective on top of the corporate objective of profitability and while we continue to grow, we shall continue to fulfill our social responsibilities. We will strengthen our internal quality, establish a good image externally and introduce more healthy, tasteful and safe products to each and every consumer.

PURCHASE, SALE OR REDEMPTION OF SHARES

There were no other purchases, sales or redemptions of the Company's shares by the Company or any of its subsidiaries during the year.

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.masterkong.com.cn 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. Hsu Shin-Chun, Mr. Lee Tiong-Hock and Mr. Michio Kuwahara are independent non-executive directors of the Company.

By Order of the Board
Wei Ing-Chou
Chairman

Tianjin, the PRC, 21 April 2008

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

* *For identification purposes only*