康師傅控股有限公司*

TINGYI (CAYMAN ISLANDS) HOLDING CORP.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 322)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2012

SUMMARY

	US$ million	For the six months ended 30 June 2012	2011	Change
•	Turnover	4,533.359	4,139.642	↑ 9.51%
•	Gross margin	29.81%	26.14%	↑ 3.67 ppt.
•	Gross profit of the Group	1,351.605	1,082.308	↑ 24.88%
•	EBITDA	732.338	524.738	↑ 39.56%
•	Profit for the period	420.840	307.482	↑ 36.87%
•	Profit attributable to owners of the Company	284.416	229.033	↑ 24.18%
•	Earnings per share (US cents)			
	Basic	5.09	4.10	↑ 0.99 cents
	Diluted	5.07	4.08	↑ 0.99 cents

At 30 June 2012, Cash and cash equivalents was US$1,494.284 million and gearing ratio was 0.07 times.

2012 INTERIM RESULTS

The Board of Directors of Tingyi (Cayman Islands) Holding Corp. (the "Company") is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2012 together with the unaudited comparative figures for the corresponding period in 2011. These unaudited condensed consolidated interim financial statements have been reviewed by the Company's Audit Committee in conjunction with the Company's external auditor.

Condensed Consolidated Income Statement
For the Six Months Ended 30 June 2012

	Note	For the six months ended 30 June 2012 (Unaudited) *US$'000*	2011 (Unaudited) *US$'000*
Turnover and revenue	2	4,533,359	4,139,642
Cost of sales		(3,181,754)	(3,057,334)
Gross profit		1,351,605	1,082,308
Other revenue and other net income		254,024	94,928
Distribution costs		(861,862)	(665,509)
Administrative expenses		(144,718)	(95,355)
Other operating expenses		(44,387)	(17,832)
Finance costs	5	(13,295)	(5,177)
Share of results of associates		4,819	—
Profit before taxation	5	546,186	393,363
Taxation	6	(125,346)	(85,881)
Profit for the period		420,840	307,482
Attributable to:			
Owners of the Company		284,416	229,033
Non-controlling interests		136,424	78,449
Profit for the period		420,840	307,482
Earnings per share	7		
Basic		US5.09 cents	US4.10 cents
Diluted		US5.07 cents	US4.08 cents

Condensed Consolidated Statement of Comprehensive Income
For the Six Months Ended 30 June 2012

	For the six months ended 30 June 2012 (Unaudited) *US$'000*	2011 (Unaudited) *US$'000*
Profit for the period	420,840	307,482
Other comprehensive income		
Exchange differences on consolidation	(26,549)	44,563
Fair value change in available-for-sale financial assets	(5,026)	(11,023)
Reclassification adjustment for exchange differences release upon disposal of assets classified as held for sale	—	(3,847)
Other comprehensive income for the period, net of tax	(31,575)	29,693
Total comprehensive income for the period, net of tax	389,265	337,175
Total comprehensive income attributable to:		
Owners of the Company	261,188	246,363
Non-controlling interests	128,077	90,812
	389,265	337,175

Condensed Consolidated Statement of Financial Position

At 30 June 2012

	Note	At 30 June 2012 (Unaudited) *US$'000*	At 31 December 2011 (Audited) *US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		4,722,530	4,029,872
Intangible assets		7,551	–
Interest in joint venture		1,312	–
Interest in associates		83,004	–
Prepaid lease payments		247,638	186,276
Available-for-sale financial assets		105,610	104,422
Deferred tax assets		54,696	52,176
		5,222,341	4,372,746
Current assets			
Financial assets at fair value through profit or loss		528	560
Inventories		394,775	312,562
Trade receivables	9	256,399	155,040
Prepayments and other receivables		466,320	367,814
Pledged bank deposits		17,455	9,662
Bank balances and cash		1,476,829	590,390
		2,612,306	1,436,028
Total assets		7,834,647	5,808,774
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital		27,961	27,951
Reserves		2,314,034	2,071,794
Total capital and reserves attributable to owners of the Company		2,341,995	2,099,745
Non-controlling interests		930,207	586,521
Total Equity		3,272,202	2,686,266
Non-current liabilities			
Long-term interest-bearing borrowings		1,106,153	549,382
Employee benefit obligations		14,871	14,064
Deferred tax liabilities		170,939	131,092
		1,291,963	694,538
Current liabilities			
Trade payables	10	1,298,692	974,113
Other payables		1,316,718	660,995
Current portion of interest-bearing borrowings		543,119	700,695
Advance payments from customers		47,332	66,501
Taxation		64,621	25,666
		3,270,482	2,427,970
Total liabilities		4,562,445	3,122,508
Total equity and liabilities		7,834,647	5,808,774
Net current liabilities		(658,176)	(991,942)
Total assets less current liabilities		4,564,165	3,380,804

Notes to the condensed consolidated financial statements

1. Basis of preparation and accounting policies

The Directors are responsible for the preparation of the Group's unaudited condensed consolidated interim financial statements. These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These condensed interim financial statements should be read in conjunction with the 2011 annual financial statements. The accounting policies adopted in preparing the condensed consolidated interim financial statements for the six months ended 30 June 2012 are consistent with those in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for the adoption of the amendments to Hong Kong Financial Reporting Standards ("HKFRS") which are relevant to the Group's operation and are effective for the Group's financial year beginning on 1 January 2012:

Amendments to HKFRS 7	Financial Instruments: Disclosures - Transfers of Financial Assets (effective for annual periods beginning on or after July 2011)
Amendments to HKAS 12	Income Taxes — Deferred tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012)

The adoption of these amendments to HKFRS did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior years.

2. Turnover

The Group's turnover represents revenue arising from the sale of goods at invoiced value to customers, net of returns, discounts and Value Added Tax.

3. **Segment information**

Segment results

	For the Six Months ended 30 June 2012					
	Instant noodles (Unaudited) *US$'000*	**Beverages (Unaudited)** *US$'000*	**Instant food (Unaudited)** *US$'000*	**Others (Unaudited)** *US$'000*	**Inter-segment elimination (Unaudited)** *US$'000*	**Group (Unaudited)** *US$'000*
Turnover						
Revenue from external customers	1,873,120	2,504,338	113,952	41,949	–	4,533,359
Inter-segment revenue	228	1,371	51	50,210	(51,860)	–
Segment revenue	1,873,348	2,505,709	114,003	92,159	(51,860)	4,533,359
Segment results after finance costs	222,609	124,068	1,173	6,566	(3,631)	350,785
Share of results of associates	–	4,819	–	–	–	4,819
Gain on bargain purchase, net of direct expenses related to acquisition (Note 1)	–	190,582	–	–	–	190,582
Profit before taxation	222,609	319,469	1,173	6,566	(3,631)	546,186
Taxation	(71,723)	(51,371)	(610)	(1,642)	–	(125,346)
Profit for the period	150,886	268,098	563	4,924	(3,631)	420,840

	For the Six Months ended 30 June 2011					
	Instant noodles (Unaudited) *US$'000*	**Beverages (Unaudited)** *US$'000*	**Bakery (Unaudited)** *US$'000*	**Others (Unaudited)** *US$'000*	**Inter-segment elimination (Unaudited)** *US$'000*	**Group (Unaudited)** *US$'000*
Turnover and Revenue						
Revenue from external customers	1,617,805	2,392,423	94,455	34,959	–	4,139,642
Inter-segment revenue	45	1,780	545	39,992	(42,362)	–
Segment turnover and revenue	1,617,850	2,394,203	95,000	74,951	(42,362)	4,139,642
Segment results after finance costs and Profit before taxation	146,691	204,868	2,800	40,282	(1,278)	393,363
Taxation	(39,479)	(45,889)	80	(593)	–	(85,881)
Profit for the period	107,212	158,979	2,880	39,689	(1,278)	307,482

Segment result represents the profit after finance costs earned by each segment. Segment information is prepared based on the regular internal financial information reported to the Company's executive directors for their decisions about resources allocation to the Group's business components' and review of these components' performance.

Note 1: Gain on bargain purchase of US$190,582,000 is included under Beverages segment as this presentation reflects more appropriately the nature of transaction.

3. **Segment information** *(continued)*

Segment assets

	At 30 June 2012					
	Instant noodles (Unaudited) *US$'000*	**Beverages (Unaudited)** *US$'000*	**Instant food (Unaudited)** *US$'000*	**Others (Unaudited)** *US$'000*	**Inter-segment elimination (Unaudited)** *US$'000*	**Group (Unaudited)** *US$'000*
Segment assets	2,495,028	4,746,083	165,673	1,793,981	(1,556,572)	7,644,193
Interest in joint venture	–	–	1,312	–	–	1,312
Interest in associates	–	83,004	–	–	–	83,004
Unallocated assets						106,138
Total assets						7,834,647

	At 31 December 2011					
	Instant noodles (Audited) *US$'000*	**Beverages (Audited)** *US$'000*	**Instant food formerly "Bakery") (Audited)** *US$'000*	**Others (Audited)** *US$'000*	**Inter-segment elimination (Audited)** *US$'000*	**Group (Audited)** *US$'000*
Segment assets	2,520,574	3,442,346	173,846	811,780	(1,244,754)	5,703,792
Unallocated assets						104,982
Total assets						5,808,774

Segment assets include all tangible assets, intangible asset and current assets with the exception of available-for-sale financial assets and financial assets at fair value through profit or loss. The identifiable assets acquired in the business combination during the period as disclosed in note 15 have been recognised in "Beverages" segment.

4. **Seasonality of operations**

Due to the seasonal nature of the beverages segment, higher revenue is usually expected in the second and third quarters. Higher sales during the period from June to August are mainly attributed to the increased demand for packed beverages during the hot season.

5. **Profit before taxation**

This is stated after charging:

	For the six months ended 30 June	
	2012 (Unaudited) *US$'000*	**2011 (Unaudited)** *US$'000*
Finance costs		
Interest on bank and other borrowings wholly repayable within five years	13,295	5,177
Other items		
Depreciation	189,669	143,814
Amortisation	2,340	1,327

6. Taxation

	For the six months ended 30 June	
	2012	**2011**
	(Unaudited)	**(Unaudited)**
	US$'000	*US$'000*
Current tax – PRC Enterprise income tax		
Current period	107,349	67,664
Deferred taxation		
Origination and reversal of temporary differences, net	3,915	3,529
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	14,082	14,688
Total tax charge for the period	125,346	85,881

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

Hong Kong Profits Tax has not been provided as the Group entities either incurred losses for taxation purpose or had no assessable profit subject to Hong Kong Profits Tax for the six months ended June 2012 and 2011.

For the PRC subsidiaries not entitled to a preferential PRC enterprise income tax, the applicable PRC enterprise income tax is at a statutory rate of 25% (2011: 25%).

Subsidiaries in the PRC which engage in manufacture and sale of instant noodles, beverages and bakery products are subject to tax laws applicable to foreign investment enterprises in the PRC. Most of the subsidiaries are located at state-level economic development zones and were entitled to a preferential PRC enterprise income tax rate of 15% before 31 December 2007. Also, they were 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.

According to the Tax Relief Notice (Cai Shui [2011] no. 58) on the Grand Development of Western Region jointly issued by the Ministry of Finance, the State Administration of Taxation and China Customs, foreign investment enterprises located in the western region of PRC with principal revenue of over 70% generated from the encouraged business activities are entitled to a preferential income tax rate of 15% for 10 years from 1 January 2011 to 31 December 2020. Accordingly, certain subsidiaries located in the Western Region are entitled to a preferential rate of 15% (2011: 15%).

Pursuant to the State Council Circular on the Implementation of the Transitional Concession Policies for Enterprise Income Tax (Guo Fa [2007] no. 39), enterprises previously entitled to a reduced tax rate shall have a grace period of five years regarding the tax reduction commencing on 1 January 2008; the subsidiaries which were entitled to a 15% enterprise income tax rate will be subjected to tax rates of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012 and thereafter. The subsidiaries that have been granted a preferential income tax rate of 15% in the Grand Development of Western Region shall continue to enjoy the preferential income tax rate until expiry.

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends distributed to foreign investors by the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings accumulated after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between PRC and jurisdiction of the foreign investors. For the Group's PRC subsidiaries, the applicable rate is 10% and deferred tax liability is only provided on 50% of post-2007 earnings that are expected to be distributable in the foreseeable future.

7. Earnings per share

(a) *Basic earnings per share*

	For the six months ended 30 June 2012 (Unaudited)	For the six months ended 30 June 2011 (Unaudited)
Profit attributable to ordinary shareholders (US$'000)	284,416	229,033
Weighted average number of ordinary shares ('000)	5,591,220	5,586,839
Basic earnings per share (US cents)	5.09	4.10

(b) *Diluted earnings per share*

	For the six months ended 30 June 2012 (Unaudited)	For the six months ended 30 June 2011 (Unaudited)
Profit attributable to ordinary shareholders (US$'000)	284,416	229,033
Weighted average number of ordinary shares (diluted) ('000)		
Weighted average number of ordinary shares	5,591,220	5,586,839
Effect of the Company's share option scheme	20,390	23,984
Weighted average number of ordinary shares for the purpose of calculated diluted earnings per share	5,611,610	5,610,823
Diluted earnings per share (US cents)	5.07	4.08

8. Dividend

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: nil).

9. Trade receivables

The majority of the Group's sales is cash-on-delivery. The remaining balances of sales are mainly at credit term ranging from 30 to 90 days. The aging analysis of the trade receivables (net of impairment losses for bad and doubtful debts) based on invoice date, at the end of the reporting period is as follows:

	At 30 June 2012 (Unaudited) *US$'000*	At 31 December 2011 (Audited) *US$'000*
0 - 90 days	249,293	146,883
Over 90 days	7,106	8,157
	256,399	155,040

10. Trade payables

The aging analysis of trade payables based on invoice date at the end of the reporting period is as follows:

	At 30 June 2012 (Unaudited) *US$'000*	At 31 December 2011 (Audited) *US$'000*
0 - 90 days	1,250,974	915,284
Over 90 days	47,718	58,829
	1,298,692	974,113

11. Business combination

Business combination occurred since the most recent annual financial statements

On 4 November 2011, the Company and PepsiCo Inc. ("PepsiCo") entered into agreements for their strategic alliance in beverage business in the PRC (the "Strategic Alliance Arrangements"). Under the Strategic Alliance Arrangements, PepsiCo's wholly-owned subsidiary, Far East Bottles (Hong Kong) Limited ("FEB") has agreed to contribute its entire equity interest in PepsiCo's non-alcoholic beverage bottling business in the PRC to Tingyi Asahi Beverages Holding Co., Ltd. ("TAB"), a non-wholly owned subsidiary of the Company, in exchange for a 9.5% direct equity interests in Master Kong Beverage (BVI) Co. Ltd. ("MKB"), which is a holding company of the Group's beverage business in the PRC. As a consequence, FEB holds 5% indirect equity interest in TAB, details of this business combination are set out in the Circular of the Company dated 20 January 2012.

On 31 March 2012 ("date of acquisition"), the Strategic Alliance Arrangements was completed. The Group has obtained the control of China Bottlers (Hong Kong) Limited ("CBL") which owns equity interest in PepsiCo's non-alcoholic beverage bottling business in the PRC by acquiring the entire equity interest and voting rights in CBL. As a result, CBL has become a wholly-owned subsidiary of TAB and an indirect non wholly-owned subsidiary of the Company.

Under the Strategic Alliance Arrangements, TAB is exclusively responsible for manufacturing, selling and distributing PepsiCo's nonalcoholic beverage bottling business in the PRC. The Group expects that the strategic alliance with PepsiCo will bring innovative new products to market faster across PepsiCo and the Company brand offerings and improve choice for consumers.

Consideration transferred

Pursuant to the Strategic Alliance Arrangements, TAB has issued 52,637 ordinary shares to MKB and MKB has issued 5,263 ordinary shares to FEB. Consequently, the issuance of shares of the Company's subsidiaries for the consideration transferred caused that the Group's effective equity interest in TAB decreased from 50.005% to 47.5125%. A deemed disposal of 9.5% equity interest in MKB as well as a deemed disposal of 2.4925% equity interest in TAB was resulted.

FEB was granted an option ("Issued Option") to increase its indirect interest in TAB from 5% to 20% on a fully diluted basis.

In addition, PepsiCo and The Concentrate Manufacturing Company of Ireland ("CMCI"), a wholly-owned subsidiary of PepsiCo (collectively, the "PepsiCo group") and TAB have entered into Framework Exclusive Bottling Agreement ("FEBA") and the Company, FEB and PepsiCo have entered into Option Agreements ("OA"). These options could be executed only when certain termination/triggering events occur, the details are as follows:-

– PepsiCo group was granted a call option ("FEBA Call Option"). TAB is required to sell assets and/ or undertakings primarily used in the production of carbonated soft drink ("CSD") or products licensed to PepsiCo group at the aggregate book value of the assets being acquired at the date of exercise of FEBA Call Option upon the occurrence of any termination events;

– TAB was granted a put option ("FEBA Put Option"). PepsiCo group is required to buy assets and/ or undertakings primarily used in the production of CSD or products licensed from TAB at the aggregate book value of the assets being acquired at the date of exercise of FEBA Put Option upon the occurrence of any termination events;

– The Company granted FEB a put option ("OA Put Option"). The Company is required to buy all of FEB's equity interest in MKB and TAB at fair market value after the occurrence of put triggering events;

– The Company was granted a call option ("OA Call Option"). FEB is required to sell all of its equity interest in MKB and TAB at fair market value after the occurrence of call triggering events; and

– The Company was also granted a sell-down option ("Sell-Down Option"). FEB/PepsiCo is required to sell its equity interests in TAB to the Company after the occurrence of sell-down triggering events.

11. Business combination *(continued)*

Consideration transferred (continued)

The following summarises the consideration transferred and the amounts of the assets acquired and liabilities assumed, as well as the amount of non-controlling interests recognised at the date of acquisition:

	Provisional fair value *US$'000*
Consideration transferred:	
Issuance of 5% shares of TAB, at fair value	420,000
Issuance of Issued Option, FEBA Call Option, FEBA Put Option, OA Put Option, OA Call Option, Sell-Down Option ("Financial Instruments"), at fair value	27,000
Total consideration transferred	447,000

	US$'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	534,507
Prepaid lease payments	73,415
Intangible assets	7,600
Interests in associates	78,185
Deferred tax assets	4,484
Cash and cash equivalents	151,264
Trade and other receivables	170,908
Inventories	120,087
Indemnification assets	155,122
Trade and other payables	(342,448)
Bank and other borrowings	(254,616)
Deferred tax liabilities	(21,850)
Total identifiable net assets	676,658
Non-controlling interests	(11,108)
Provisional gain on bargain purchase	(218,550)
Total consideration transferred	447,000

	US$'000
Net cash flow on acquisition of subsidiaries:	
Bank and cash balances acquired from subsidiaries	151,264
Direct expenses relating to the acquisition	(27,968)
	123,296

The Financial Instruments granted under the Strategic Alliance Arrangements are measured at fair value on provisional basis. The provisional fair value of the contingent consideration is estimated with reference to share price volatilities on assumed financial multiples of companies deemed to be similar to TAB and assumed adjustments due to lack of control on TAB that market participants would consider when estimating the fair value of the contingent consideration.

The intangible assets represent exclusive rights granted to the Group for manufacturing, bottling, packaging, distributing and selling PepsiCo's CSD and Gatorade branded products on a royalty free basis under a specific trademark in the PRC, which are measured at provisional fair value and would be amortised over a straight-line basis over CCT agreements period of 39 years.

The fair value of trade and other receivables at the date of acquisition amounted to US$170,908,000. The gross contractual amounts of those trade and other receivables acquired amounted to US$173,693,000 at the date of acquisition. The best estimate at the date of acquisition of the contractual cash flows not expected to be collected amounted to US$2,785,000.

11. **Business combination** *(continued)*

Consideration transferred (continued)

Pursuant to the Strategic Alliance Arrangements, PepsiCo has agreed to contribute its entire equity interest in CBL with adjusted net asset value of US$600 million at the date of acquisition. Indemnification assets represent the excess of US$600 million over the adjusted net asset value of CBL as at 31 March 2012. The provisional amount of the indemnification assets is determined based on unaudited adjusted net asset value of CBL at 31 March 2012.

The Group has selected to measure the non-controlling interests at its proportionate interest in the identifiable assets and liabilities of the acquiree.

The transaction costs relating to legal and professional fees and other charges of US$27,968,000 have been excluded from the consideration transferred and have been recognised as expenses including in the Company's gain on bargain purchase of approximately US$190,582,000 within the "Other revenue and other net income" in the condensed consolidated income statement.

The gain on bargain purchase of US$218,550,000 arising from the business combination is mainly attributable to decline in fair value valuation of issuance of TAB shares. The gain from this bargain purchase was recognised in "Other revenue and other net income" in the condensed consolidated income statement.

The deemed disposal of 2.4925% equity interest in TAB that do not result in the loss of control is accounted for as equity transaction. The carrying amount of the 2.4925% equity interest in TAB on the date of disposal was US$239,532,000. As a result of the deemed disposal, the non-controlling interests was increased by US$239,532,000, and the difference of US$180,468,000 between the amount by which the non-controlling interests are increased and the fair value of the consideration received was recognised in equity and attributable to the owners of the Company, which was recorded in "Other reserve" within the equity in the condensed consolidated statement of financial position.

Since the business combination, the revenue contributed by the acquiree amounted to US$402,073,000 and the net results attributable to the owners of the Company contributed by the acquiree was not significant to the Group for the period ended 30 June 2012.

If the business combinations effected on 31 March 2012 had been taken place at the beginning of the period, the Group's revenue would have been US$4,950,953,000 for the six months period ended 30 June 2012 and the profit attributable to owners of the Company would not have been materially different from US$284,416,000 for the six months period ended 30 June 2012.

As at the date of this quarterly report, the Group has not finalised the fair value assessments for the consideration transferred and acquiree's identifiable assets and liabilities as at the date of acquisition due to short period of time after the completion of the acquisition.

The relevant fair values of consideration transferred and net assets acquired stated above are on a provisional basis and may be subject to significant changes in future period when the valuations performed by independent valuer have been finalised.

12. **Approval of first quarterly financial statements**

The interim financial statements of 2012 were approved by the board of directors on 20 August 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Under the European debt crisis and the macroeconomic control over the real estate market in the People's Republic of China (the PRC), the gross domestic product (GDP) of the PRC for the first half of 2012 was RMB22.7098 trillion, representing an increase of 7.8% year-on-year. The economic growth of the first and second quarters was 8.1% and 7.6% respectively. The economy of the PRC has now been slowing down for six consecutive quarters and the GDP growth fell below 8% the first time in 12 quarters. During the period, the Consumer Price Index (CPI) increased by 3.3% year-on-year, down by 2.1ppt over the growth rate of the corresponding period last year. The PRC's Producer Price Index (PPI) decreased by 0.6 ppt. year-on-year, significantly easing the inflation pressure.

During the first half of 2012, the Group completed the strategic alliance with the PepsiCo's beverage business in the PRC. The gain on bargain purchase arising from this business combination and the operating results of Pepsi beverage for the second quarter was recognized in the condensed consolidated income statement. After the combination, the Group's turnover increased by 9.51% to US$ 4,533.359 million as compared to the same period last year. During the period, costs of major raw materials dropped slightly, the Group's gross margin improved by 3.67 ppt. to 29.81% and gross profit increased by 24.88% to US$1,351.605 million year-on-year. The Group's 30.34% second quarter gross margin was higher than the past six quarters'. The administrative costs to the Group's turnover increased slightly by 0.89 ppt. to 3.19%, mainly caused by the direct fee of acquisition associated with the acquisition costs and the increase in labor costs. Distribution costs as a percentage of sales increased by 2.93 ppt. to 19.01%. The Group's EBITDA increased by 39.56% to US$732.338 million. Profit attributable to owners of the Company increased by 24.18% to US$284.416 million and earnings per share increased by 0.99 US cents to 5.09 US cents when compared to the same period of 2011.

As an industry leader, Tingyi has been committed to advocating the healthy development of the industry while maintaining its own growth. During the period, we successfully hosted the 8th World Instant Noodles Summit. This year's summit theme was "Instant Noodles for Better Life" and the summit gathered 89 instant noodle enterprises from over 25 countries and regions in the world. The participants jointly signed the "Tianjin Declaration" and made a commitment towards the global instant noodles industry, in that they would continue to remain committed to the study of food safety and would serve the consumers based on the principle of "making top quality products, promoting the food culture and serving the community". In April 2012, Tianjin Tingyuan Food Co., Ltd. was recognized as "Best 100 Oil and Grains Enterprises" in PRC (中國糧油企業100強). In June 2012, Tingyi-Asahi Beverages Holding Co., Ltd. was awarded the title of 2011 "Top 100 China Light Industry Enterprises" by the China Light Industry Federation. In the same month, Institutional Investor magazine announced the results of the 2012 All-Asia Executive team survey, that Tingyi (Cayman Islands) Holding Corp. was ranked the first place for Best Investor Relations in the consumer sector, nominated by the buy side. Not only does this honour signify recognition of Tingyi, it also encourages Tingyi to continue to make full use of its advantages to lead the industry towards a healthy and orderly development.

Instant Noodle Business

In the first half of 2012, turnover of instant noodle business grew by 15.78% year-on-year to US$1,873.120 million, representing 41.32% of the Group's total turnover. Due to the drop in palm oil prices and better product mix, gross margin improved by 4.33 ppt. to 29.44% year-on-year. Better control of operating expenses also resulted in the improvement of profit attributable to owners of the Company by 40.00% to US$149.403 million.

According to AC Nielsen's survey in June 2012, in terms of sales volume and value of instant noodle, the Group's market share in the overall PRC market increased to 43.9% and 57.0% respectively. In terms of sales value, the market share of the Group's bowl noodle and high-end packet noodle were 65.7% and 70.1% respectively, establishing them firmly in the leading position in the market.

During the first half of the year, the major operating strategy of instant noodle business was to continue to strengthen cash flow-generating products such as "Noodles with Braised Beef" and "Noodles with Spicy Beef" with a focus on enriching the seasoning packs of "Kaixin Bowl Noodle". After such improvement, the products' competitiveness saw a significant increase and satisfactory growth trend. In the meantime of strengthening our cash flow-generating products, Master Kong continued to develop new products and new flavours. The taste of our "Pickled Mustard" and braised meat flavours series remained appealing to customers; not only had the entire line of fried noodles' flavours been upgraded, various new local flavours were also introduced, providing greater choices for consumers in different regions and meeting their different tastes. As for the mid-end noodle series, the existing flavours had evident competitive edges and the new flavours were also well received by the market. The four mid-end noodle brands – "Zhen Pin", "Jin Shuang LaMian", "Hao Zi Wei" and "Super Fumanduo" continued their high growth in the second quarter.

As for production management, to ensure secure supply of raw materials, new suppliers of raw materials were identified and by combining some existing manufactures, resulted in greater support to marketing. Technically, completion of the automated operations of the integrated box production process effectively prevented the further increase of production costs and successfully enabled the targets for the first half year to be achieved.

As for cost management, to better control costs and improve profit margin, the Group implemented optimization of the efficiency of the supply system, improved the efficiency of transportation: loading and unloading, integrated existing suppliers and explored new ones, and improved tendering processes. In addition, the Group also planned the improvement of its plants and equipment and executed such plan, conducted knowledge and skill training for staff, and organized tenders for transportation, engineering and procurement during the low season of production in the second quarter, allowing them to be well-prepared for the peak season.

The instant noodle business of Master Kong will continue to strengthen its brand awareness in the next quarter, through the upgrade of the ingredients, development of new products, combination of market advantages, as well as continuing to strengthen the better access, broader reach strategy, enhance efficiency of marketing system, re-build through the internal organization, automatize the production system, optimize the procurement process and fully control the production cost, in order to achieve increase in both sales and profit.

Beverage Business

Affected by various factors such as weak spending of the PRC in general, the overall growth of the beverage industry in the second quarter of 2012 was slowed down. In the face of economic slowdown and low growth of the beverage industry, Master Kong proactively adjusted its operating strategies to adapt to the market changes. With effect from 1 April 2012, the Group is wholly responsible for the manufacturing, bottling, packaging, sales and distribution of PepsiCo's carbonated beverage brands and other non-carbonated beverage products in PRC. In the first half of 2012, the turnover of the beverage business increased by 4.68% year-on-year to US$2,504.338 million, representing 55.24% of the Group's total turnover. Meanwhile, because costs of raw material had declined the gross margin of beverages increased by 3.26 ppt. year-on-year to 29.97%. Profits attributable to owners of the Company increased by 63.22% to US$130.190 million when compared to the same period in 2011.

According to AC Nielsen's survey in June 2012, in terms of sales volume, market share for the Group's RTD tea was 48.2% and bottled water was 23.7%, ranking it No.1 in the market under severe competition. By using duo brands - Fresh Daily C and Master Kong, as well as the innovative drink "New Taste for Traditional Drink" series to develop the market, the PRC beverage business of PepsiCo including Pepsi's Tropicana, the Group's market share climbed up to 29.6% in the diluted fruit juice market, which became the leader in the market. According to Canadean's latest survey, market share for Pepsi carbonated drinks in the second quarter was 27.5%, ranking its No.2 in the market.

For RTD tea series, we continued to implement the image strategy of tea expert. Master Kong extensively explores the culture of Chinese tea, and consistently expands the tea items. During the period, new products Longjing Refreshing Tea and sugar-free Teahouse series were introduced, in order to enrich the choices of customers. Moreover, we introduced the classic milk tea series, its brand awareness and penetration rate increased following its introduction, and its sales steadily improved. Leveraging the further opening of the Taiwan tourism to Mainland tourists, Master Kong and Tencent's QQ jointly organized "Play Together in Taiwan" (玩轉台灣-10000人大搜茶) promotional activities to express our gratitude to consumers for their continuous support and loyalty over the years. The first group of winners set off on their trip to Taiwan on 22 June 2012.

For bottled water series, the fierce competition of bottled market was deepening, but vitality comes with competition, thus the perception of consumers were established, and such market is gradually heading towards healthy development. Master Kong's mineralized water and natural mineral water continued to rank No.1 in the market in terms of sales volume due to our adherence to safety, healthiness and money-for-value quality.

For fruit juice series, in addition to Master Kong juice, Fresh Daily C and "New Taste for Traditional Drink" Master Kong added a new member, Pepsi's Tropicana series, for its fruit juice product series. During the period, the purchasing desire of customers were fuelled as new specifications of Master Kong juice and Fresh Daily C were introduced successively, and fresh sliced fruit-tropical peach flavored was introduced. The product line "New Taste for Traditional Drink" had been well received since it was launched. Notably, the "Crystal Sugar Pear Juice" enjoyed steady and satisfactory growth in terms of sales for its well recognised functional image of being able to clear body heat in the summer time.

For carbonated drink series, we organized a marketing activity with the theme of "innovate for the desire", in order to strengthen the network digital platform of PepsiCo Taobao. Affected by the transition of the strategy alliance and the weak carbonated market, during the second quarter, excluding the effect from the adjustment of product specifications, the decrease of carbonated business was immaterial when compared with the corresponding period of last year but increased in a certain extent when compared with last quarter. Under the circumstances of the prices of raw materials and package materials were still high, both transportation and personnel costs also increased, the increase of operating cost was offset by the benefit from the strategy alliance, and the gross profit of sales of goods increased dramatically when compared with the corresponding period of last year.

In the future, reliance on the cooperation of production and marketing between Master Kong Beverage and Pepsi Beverage will enable both to fully exert their respective strengths and achieve strong ties with strong combination. Leverage the strengths of the brand of PepsiCo and low production and distribution cost of Master Kong, we will introduce more products which cater for the taste of customers with reasonable price, in order to satisfy different needs of customers.

Instant Food Business

We continue to boost the sales of instant food through constant strengthening of our sales network coverage. During the period, turnover for instant food business increased by 20.64% year-on-year to US$113.952 million, representing 2.51% of the Group's total turnover. We successfully improved the gross profit margin of our instant food by 2.96 ppt to 37.73% comparing with the same period last year by adjusting the sales structure and pricing structure of our products and gross profit grew by 30.89% year on year. Due to the increase in labor cost and marketing expenses, profit attributable to owners of the Company decreased by 79.10% to US$0.646 million.

According to AC Nielsen's survey in June 2012, in terms of sales value, Master Kong's sandwich crackers had a market share of 22.1% and ranked No.2 in the sandwich cracker market. Market share for Master Kong's egg rolls was 27.0% and ranked No.1 in the market.

Further investments on brand building for our instant food business will continue to be strengthened. Complementary promotional activities will be launched to enhance our brand image. Delicate European styled stuffed bakery will be introduced in the market in the near future so as to drive the sales of bakery products. Egg roll products of new specifications will be added and sold through our distribution channels in order to maintain our leading market position.

During the period, Master Kong entered into a joint venture agreement with Calbee and Itochu to engage in the manufacturing and sale of snack food products. Separately, Master Kong also entered into a joint venture agreement with Prima to engage in the processing of poultry and meat products. Through those joint ventures, Master Kong will manufacture and sell more diversified food categories to expand its instant food business and meet consumer needs.

FINANCING

The Group continued to maintain a stable and healthy finance structure for working capital use through the effective control of bank and cash, trade receivables, trade payables and inventories.

As at 30 June 2012, the Group's cash and bank deposits totaled US$1,494.284 million, an increase of US$894.232 million from 31 December 2011. In addition, the Group's total assets and total liabilities amounted to approximately US$7,834.647 million and US$4,562.445 million respectively, representing increases of US$2,025.873 million and US$1,439.937 million respectively when compared to 31 December 2011. The debt ratio increased by 4.47 ppt. to 58.23% compared with 31 December 2011.

On 20 June 2012, the Company issued a five year US$500,000,000 3.875% per annum Notes. The Company intends to use the proceeds of the Notes to finance capital expenditures and the strategic alliance arrangement of the Group and PepsiCo, to repay certain bank loans and for working capital and other general corporate purposes.

As at 30 June 2012, the Group's total borrowings increased by US$399.195 million to US$1,649.272 million. The Group's proportion of the total borrowings denominated in foreign currencies and Renminbi were 87% and 13% respectively, as compared with 94% and 6% respectively as at 31 December 2011. The proportion between the Group's long-term borrowings and short-term borrowings was 67% and 33%, as compared with 44% and 56% respectively as at 31 December 2011. In addition, the Group's transactions are mainly denominated in Renminbi. During the period, the depreciation in Renminbi against US dollar by 1.05% brought an exchange loss of US$26.142 million. The exchange gain of US$0.407 million has been included in the income statement and a loss of US$26.549 million has been included in the reserve from exchange translation respectively.

Financial Ratio

	As at 30 June 2012	As at 31 December 2011
Finished goods turnover	9.77 Days	8.87 Days
Trade receivables turnover	8.26 Days	6.56 Days
Current ratio	0.80 Times	0.59 Times
Debt ratio (Total liabilities to total assets)	58.23%	53.76%
Gearing ratio (Net debt to equity attributable to owners of the Company)	0.07 Times	0.31 Times

HUMAN RESOURCES

As at 30 June 2012, with the combination of PepsiCo, the Group employed 77,310 (31 December 2011: 64,309) employees. Master the cultivation and development of talents is one of the Group's mission, focusing on long-term accumulation of human resources and training. Constant improvement of talent development strategies in the selection, training, deployment and retention of talents will be implemented to enhance the Group's competitiveness.

During the period, the Group continued to perfect the personnel recruitment and training mechanism, develop reserves human of recruitment channel, plan and implement talent development; while have carried out successor plans and talent development plans, found and training potential talent, and constantly perfect education training system, to pragmatic of attitude design courses, makes education training system and talent development system effective convergence, upgrade serving personnel led force and management force. The Group planned and implemented a series of staff caring activities, which continuously helped improve the corporate image of the Group.

Master Kong has consistently placed emphasis on personnel training, development and reserve, and believes making talents as the cornerstone for the development of the enterprise as one of the core competitive strengths that enable the Group to grow rapidly.

PROSPECTS

Despite some degree of decline in the economic growth of China in the second quarter, the quarter-on-quarter GDP growth for the second quarter saw some pickup as compared with the previous quarter with rebound in fixed investments for the first time in 13 months, and the industrial added value gradually picked up, showing increasingly stronger momentum of economic growth. With a series of investment expansion, spending promotion and foreign trade stabilising economic stimulus policies showing their effects, it is expected that China will have higher economic growth in the second half of the year. Against the backdrop of economic restructuring, coupled with consumption upgrade in the rural areas, China's food and beverage industry will continue to have enormous room for development.

Facing increasingly intense competition in the food and beverage industry, the Group will continue to fortify its current leading market position and step up cooperation with its strategic partners to continuously develop new flavours of products and enrich its product lines, optimise its product mix so as to provide more diversified offerings of products to consumers at better prices. Moreover, the Group will continue to strengthen its advantages in manufacturing, sales channels and brand recognition and promote growth in both sales and profits through production technology upgrade, supply chain management improvement and sales system optimisation, thereby providing greater return to Shareholders.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

Throughout the period ended 30 June 2012, the Company has complied with 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 subsidiaries. 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.

Directors' responsibility for the financial statements

The Directors acknowledge their responsibility for preparing the financial statements of the Group. With the assistance of the Finance and Accounting Department which is under the supervision of the Qualified Accountant of the Company, the Directors ensure that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards. The Directors also ensure that the publication of the financial statements of the Group is in a timely manner.

Audit Committee

The Audit Committee currently has three Independent Non-executive Directors, Mr. Lee Tiong-Hock, Mr. Hsu Shin-Chun and Mr. Hiromu Fukada. The latest meeting of the Committee was held to review the results of the Group for this period.

Remuneration and Nomination Committee

This Committee now comprises three Independent Non-executive Directors, Mr. Hsu Shin-Chun, Mr. Lee Tiong-Hock and Mr. Hiromu Fukada. The Committee was set up to consider and approve the remuneration packages of the senior employees of the Group, including the terms of salary and bonus schemes and other long-term incentive schemes. The Committee also reviews the structure, size and composition of the Board from time to time and recommends to the Board on appointments of Directors and the succession plan for Directors.

Internal Control

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group's internal control system includes a well defined management structure with limits of authority which is designed for the achievement of business objectives, to safeguard assets against unauthorised use or disposition, to ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations.

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

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

SHARE OPTION SCHEME

At the extraordinary general meeting held on 20 March 2008, the shareholders approved the adoption of the Share Option Scheme. Detail arrangement for the share option scheme shown as below:

Date of grant	Number of share options granted	Validity period	Exercise price (HK$)	Number of share granted to Wei Ing-Chou
20 March 2008	11,760,000	21 March 2013 to 20 March 2018	$9.28	2,000,000
22 April 2009	26,688,000	23 April 2014 to 22 April 2019	$9.38	2,816,000
1 April 2010	15,044,000	1 April 2015 to 31 March 2020	$18.57	2,200,000
12 April 2011	17,702,000	12 April 2016 to 11 April 2021	$19.96	2,264,000
26 April 2012	9,700,000	26 April 2017 to 25 April 2022	$20.54	1,368,000

For the period of six months ended 30 June 2012, 2,062,000 options had been exercised under the Share Option Scheme. Weighted average exercise price was HK$9.346 and the weighted average market closing price before the date of exercise was HK$22.72.

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.

BOARD OF DIRECTORS

As at the date of this announcement, Mr. Wei Ing-Chou, Mr. Takeshi Ida, Mr. Ryo Yoshizawa, Mr. Wei Ying-Chiao, Mr. Wu Chung-Yi and Mr. Junichiro Ida are Executive Directors of the Company. Mr. Hsu Shin-Chun, Mr. Lee Tiong-Hock and Mr. Hiromu Fukada are Independent Non-executive Directors of the Company.

By Order of the Board
Wei Ing-Chou
Chairman

Tianjin, PRC, 20 August 2012

* For identification purposes only

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