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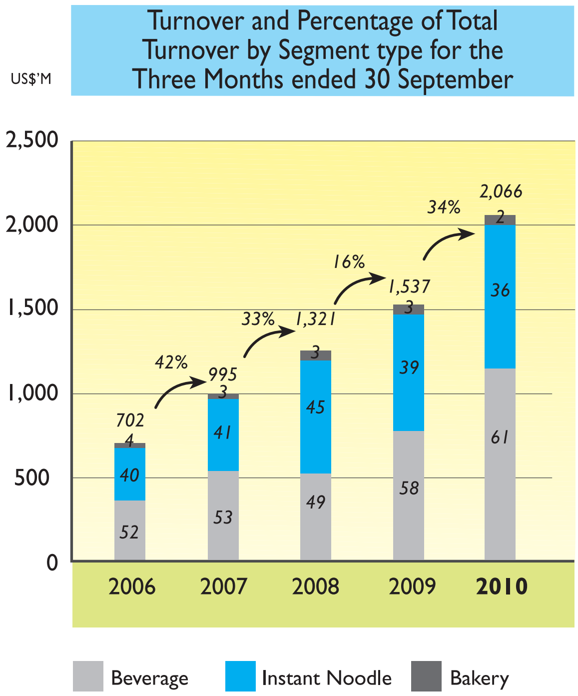
康師傅控股有限公司*

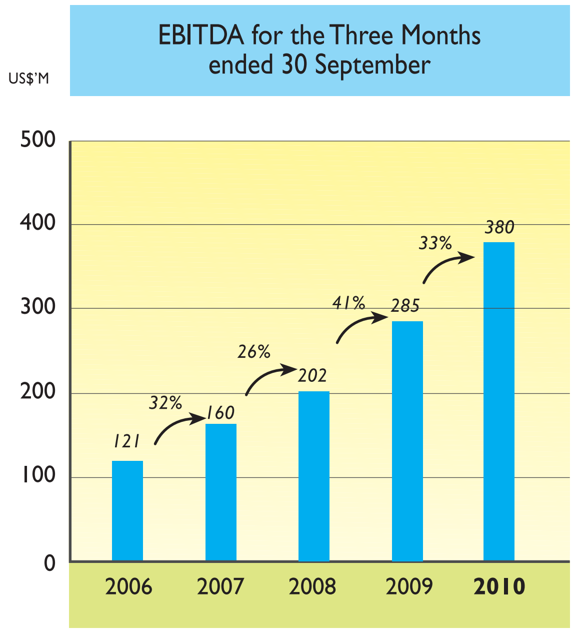
TINGYI (CAYMAN ISLANDS) HOLDING CORP.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 322)

THIRD QUARTERLY RESULTS FOR THE THREE MONTHS AND NINE MONTHS ENDED 30TH SEPTEMBER 2010





SUMMARY

		For the three months ended 30 September		
	US$ million	**2010**	**2009**	**Change**
•	Turnover	2,066.080	1,536.682	+34.45%
•	Gross profit margin	30.64%	35.81%	-5.17ppt.
•	Gross profit of the Group	632.979	550.237	+15.04%
•	EBITDA	380.369	285.259	+33.34%
•	Profit for the period	261.437	194.626	+34.33%
•	Profit attributable to Owners of the Company	200.492	147.408	+36.01%
•	Earnings per share (US cents)	3.59	2.64	+0.95cents

As at 30 September 2010, Cash and cash equivalents was US$1,153.364 million and gearing ratio was -0.35 times.

2010 THIRD QUARTERLY RESULTS

The Board of Directors of Tingyi (Cayman Islands) Holding Corp. (the "Company") is pleased to announce the unaudited condensed consolidated third quarterly financial statements of the Company and its subsidiaries (the "Group") for the three months and nine months ended 30 September 2010 together with the unaudited comparative figures for the corresponding period in 2009. These unaudited third quarterly financial statements have been reviewed by the Company's Audit Committee.

Condensed Consolidated Income Statement

For the Three Months and Nine Months Ended 30 September 2010

		2010		**2009**	
		July to September (Unaudited)	**January to September (Unaudited)**	**July to September (Unaudited)**	**January to September (Unaudited)**
	Note	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Turnover and revenue	2	2,066,080	5,309,437	1,536,682	4,038,355
Cost of sales		(1,433,101)	(3,670,065)	(986,445)	(2,582,337)
Gross profit		632,979	1,639,372	550,237	1,456,018
Other net income		99,593	130,552	30,159	55,090
Distribution costs		(334,628)	(933,598)	(316,516)	(830,753)
Administrative expenses		(40,493)	(100,735)	(30,827)	(87,838)
Other operating expenses		(32,404)	(52,097)	4,346	(36,942)
Finance costs	5	(1,751)	(5,571)	(3,702)	(14,625)
Share of results of associates		4,684	9,978	2,025	8,628
Profit before taxation	5	327,980	687,901	235,722	549,578
Taxation	6	(66,543)	(144,916)	(41,096)	(105,847)
Profit for the period		261,437	542,985	194,626	443,731
Attributable to:					
Owners of the Company		200,492	398,129	147,408	326,791
Non-controlling interests		60,945	144,856	47,218	116,940
Profit for the period		261,437	542,985	194,626	443,731
Earnings per share	7				
Basic		3.59 cents	7.13 cents	2.64 cents	5.85 cents
Diluted		3.57 cents	7.10 cents	2.63 cents	5.84 cents

Condensed Consolidated Statement of Comprehensive Income
For the Three Months and Nine Months Ended 30 September 2010

	2010		2009	
	July to September (Unaudited) *US$'000*	**January to September (Unaudited)** *US$'000*	**July to September (Unaudited)** *US$'000*	**January to September (Unaudited)** *US$'000*
Profit for the period	261,437	542,985	194,626	443,731
Other comprehensive income				
Net gains recognised directly in equity				
Exchange translation difference	35,037	44,360	1,509	350
Net gain arising on revaluation of available-for-sale financial assets during the period	6,010	6,010	—	—
Total comprehensive income for the period (net of tax)	302,484	593,355	196,135	444,081
Total comprehensive income attributable to:				
Owners of the Company	232,623	436,742	148,653	326,941
Non-controlling interests	69,861	156,613	47,482	117,140
	302,484	593,355	196,135	444,081

Condensed Consolidated Statement of Financial Position
At 30 September 2010

	Note	At 30 September 2010 (Unaudited) *US$'000*	At 31 December 2009 (Audited) *US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		2,689,196	2,216,638
Intangible assets		—	6,955
Interest in associates		—	61,892
Prepaid lease payments		113,253	88,803
Available-for-sale financial assets		107,561	3,408
Deferred tax assets		5,379	5,379
		2,915,389	2,383,075
Current assets			
Financial assets at fair value through profit or loss		5,114	4,026
Assets held for sale	9	74,925	—
Inventories		255,491	212,923
Trade receivables	10	181,861	115,591
Prepayments and other receivables		205,167	171,889
Pledged bank deposits		11,301	9,358
Bank balances and cash		1,142,063	510,831
		1,875,922	1,024,618
Total Assets		4,791,311	3,407,693
EQUITY AND LIABILITIES			
Capital and Reserves			
Issued capital		27,934	27,934
Reserves		1,683,174	1,434,710
Total Capital and Reserves attributable to owners of the Company		1,711,108	1,462,644
Non-controlling interests		536,057	446,420
Total Equity		2,247,165	1,909,064
Non-current liabilities			
Long-term interest-bearing borrowings		141,157	116,983
Other non-current payables		1,577	1,531
Employee benefit obligations		12,719	11,377
Deferred tax liabilities		91,077	60,779
		246,530	190,670
Current liabilities			
Trade payables	11	1,095,523	622,197
Other payables		604,756	406,210
Liabilities held for sale	9	15,482	—
Current portion of interest-bearing borrowings		413,765	218,087
Advance payments from customers		113,865	42,497
Taxation		54,225	18,968
		2,297,616	1,307,959
Total Liabilities		2,544,146	1,498,629
Total Equity and Liabilities		4,791,311	3,407,693
Net Current liabilities		(421,694)	(283,341)
Total Assets less Current liabilities		2,493,695	2,099,734

Notes:

1. Basis of preparation and accounting policies

The Directors are responsible for the preparation of the Group's unaudited third quarterly financial statements. These unaudited third quarterly 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 quarterly financial statements should be read in conjunction with the 2009 annual financial statements. The accounting policies adopted in preparing the unaudited third quarterly financial statements for the nine months ended 30 September 2010 are consistent with those in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except for the impact of the adoption of the new standards, amendments and interpretations which are relevant to the Group's operation and are effective for the Group's financial year beginning on 1 January 2010:

HKFRS 2 (Amendment)	Share-based Payment (effective for annual periods beginning on or after 1 July 2009)
HKFRS 3 (Revised)	Business Combinations (effective for annual period beginning on or after 1 July 2009)
HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 July 2009)
HKFRS 8 (Amendment)	Operating Segments (effective for annual periods beginning on or after 1 January 2010)
HKAS 1 (Amendment)	Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2010)
HKAS 7 (Amendment)	Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2010)
HKAS 17 (Amendment)	Leases (effective for annual periods beginning on or after 1 January 2010)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)
HKAS 36 (Amendment)	Impairment of Assets (effective for annual periods beginning on or after 1 January 2010)
HKAS 38 (Amendment)	Intangible Assets (effective for annual periods beginning on or after 1 July 2009)
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2010)
HK(IFRIC) – Int 9 (Amendment)	Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 July 2009)
HK(IFRIC) – Int 16 (Amendment)	Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 July 2009)
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009)
HK(IFRIC) – Int 18	Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009)
HKICPA's annual improvements project	Puttable Financial Instruments and Obligations Arising on Liquidation (effective from 1 July 2009)

The adoption of the above did not have any material impact on the financial statements of the Group other than disclosure changes.

2. Turnover and revenue

The Group's turnover and revenue represent the invoiced value of goods sold to customers, net of returns, discounts and Value Added Tax.

3. **Segment information**

Segment results

	For nine months ended 30 September 2010					
	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	2,064,822	3,080,453	123,791	40,371	—	5,309,437
Inter-segment revenue	49	1,834	28	70,755	(72,666)	—
Segment turnover and revenue	2,064,871	3,082,287	123,819	111,126	(72,666)	5,309,437
Segment results	269,306	363,313	4,027	(19,091)	(2,714)	614,841
Finance costs						(5,571)
Share of results of associates						9,978
Gain on deemed disposal of interest in an associate						68,653
Profit before taxation						687,901

	For nine months ended 30 September 2009					
	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	1,668,140	2,186,848	122,813	60,554	—	4,038,355
Inter-segment revenue	84	798	830	60,595	(62,307)	—
Segment turnover and revenue	1,668,224	2,187,646	123,643	121,149	(62,307)	4,038,355
Segment results	253,906	283,925	9,816	9,531	(1,603)	555,575
Finance costs						(14,625)
Share of results of associates						8,628
Profit before taxation						549,578

Segment result represents the profit earned by each segment without allocation of finance costs and share of result of associates. 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.

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

Segment assets

	At 30 September 2010					
	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*
Segment assets	1,790,999	2,626,587	127,065	624,160	(561,957)	4,606,854
Unallocated assets						184,457
Total assets						4,791,311

	At 31 December 2009					
	Instant noodles (Audited) *US$'000*	**Beverages (Audited)** *US$'000*	**Bakery (Audited)** *US$'000*	**Others (Audited)** *US$'000*	**Inter-segment elimination (Audited)** *US$'000*	**Group (Audited)** *US$'000*
Segment assets	1,436,047	1,743,479	119,682	1,068,872	(1,027,658)	3,340,422
Interest in associates						61,892
Unallocated assets						5,379
Total assets						3,407,693

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 (crediting):

		2010		2009	
	Note	**July to September (Unaudited)** *US$'000*	**January to September (Unaudited)** *US$'000*	**July to September (Unaudited)** *US$'000*	**January to September (Unaudited)** *US$'000*
Finance costs					
Interest on bank loans and other borrowings wholly repayable within five years		1,751	5,571	3,702	14,625
Other items					
Depreciation		55,172	162,896	50,811	147,951
Amortisation		1,316	3,919	1,164	3,486
Gain on disposal of a subsidiary		—	—	(3,285)	(3,285)
Gain on deemed disposal of interest in an associate	5a	(68,653)	(68,653)	—	—

5a. Gain on discontinuation of equity accounting for an investment

The Group holds a 17.16% equity interest in Wei Chuan Foods Corporation Limited ("Wei Chuan"), a company listed outside Hong Kong which together with its subsidiaries are engaged in manufacture and sale of goods and beverages in Taiwan.

In the prior periods, Wei Chuan was an associate of the Group whereas the Group exercised significant influence through representation on the board of directors of Wei Chuan. In June 2010, the composition of the board of directors of Wei Chuan was changed that the Group has no longer had representation on the board of directors of Wei Chuan without a change in absolute ownership in Wei Chuan.

After the Group ceased to have significant influence over Wei Chuan, the Group discontinues the use of the equity method of accounting and the investment in Wei Chuan is accounted for in accordance with the requirements of HKAS39 Financial Instruments: Recognition and Measurement. When the investment in Wei Chuan ceased to be an associate, the carrying amount of the Group's equity interest in Wei Chuan was measured at fair value at US$98,143,000 which was regarded as the carrying value on initial recognition as available-for-sale financial assets. The difference between the fair value and the carrying amount of the investment in Wei Chuan at the date when significant influence was lost amounting to US$68,653,000 was recognized as a gain on discontinuation of equity accounting for an investment.

6. Taxation

	2010		2009	
	July to September (Unaudited)	**January to September (Unaudited)**	**July to September (Unaudited)**	**January to September (Unaudited)**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Current tax – PRC Enterprise Income Tax				
Current period	53,633	114,619	30,711	84,890
Deferred taxation				
Origination and reversal of temporary differences, net	1,499	4,109	1,192	3,497
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	11,411	26,188	9,193	17,460
Total tax charge for the period	66,543	144,916	41,096	105,847

The Cayman Islands levies no tax on the income of the Company nor the Group.

No provision for Hong Kong Profits Tax has been made as there was no assessable profit in Hong Kong for the period.

Subsidiaries in the PRC 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 economic development zones and were entitled to a preferential PRC Enterprise Income Tax ("EIT") 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 ("Tax Holidays").

According to the Tax Relief Notice (Cai Shui [2001] no. 202) 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 2001 to 31 December 2010. Accordingly, certain subsidiaries located in Western Region are entitled to a preferential rate of 15% (2009: 15%).

For the PRC subsidiaries not entitled to a preferential PRC EIT, the applicable PRC EIT is at a statutory rate of 25% (2009: 25%).

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% EIT 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 tax concessions under the tax preferential policies in the Grand Development of Western Region shall continue to enjoy the tax concessions until expiry.

Pursuant to the PRC EIT Law, a 10% withholding tax is levied on dividends distributed to foreign investors by the foreign investment enterprises established in 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 those parts of post-2007 earnings that are expected to be distributable in the foreseeable future.

7. Earnings per share

The calculation of the basic and diluted earnings per share is as follows:

(a) Basic earning per share

	2010		2009	
	July to September (Unaudited)	**January to September (Unaudited)**	**July to September (Unaudited)**	**January to September (Unaudited)**
Profit attributable to ordinary shareholders (US$'000)	200,492,000	398,129,000	147,408,000	326,791,000
Weighted average number of ordinary shares	5,586,793,360	5,586,793,360	5,586,793,360	5,586,793,360
Basic earnings per share (US cents)	3.59	7.13	2.64	5.85

(b) Diluted earning per share

	2010		2009	
	July to September (Unaudited)	**January to September (Unaudited)**	**July to September (Unaudited)**	**January to September (Unaudited)**
Profit attributable to ordinary shareholders (US$'000)	200,492,000	398,129,000	147,408,000	326,791,000
Weighted average number of ordinary shares	5,586,793,360	5,586,793,360	5,586,793,360	5,586,793,360
Effect of the Company's share option scheme	20,984,759	19,784,775	12,921,074	9,345,042
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	5,607,778,119	5,606,578,135	5,599,714,434	5,596,138,042
Diluted earnings per share (US cents)	3.57	7.10	2.63	5.84

8. Dividend

The Board of Directors do not recommend the payment of dividend for the nine months ended 30 September 2010 (2009: nil).

9. Assets / Liabilities held for sale

On 28 September 2010, the Company entered into disposal agreements with Great System Holdings Limited to conditionally dispose of its entire interest of 40.8% in Tingzheng (Cayman Islands) Holding Corp.("TZCI") and 51.0% in Tianjin Ting Fung Starch Development Co., Ltd. ("TFS") at a consideration of US$84,438,000 and US$13,895,000 respectively (the "Disposals"). Prior to the Disposals, the Group accounted for the interest in TZCI and TFS as an associate and a non-wholly owned subsidiary respectively.

At as 28 September 2010, the equity interest in TZCI was reclassified as assets held for sale under current assets at carrying amount of US$52,818,000 and the equity interest in TFS was reclassified as assets held for sale under current assets and liabilities held for sale under current liabilities at carrying amount of US$22,107,000 and US$15,482,000 respectively.

10. Trade receivables

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

	At 30 September 2010 (Unaudited) *US$'000*	**At 31 December 2009 (Audited)** *US$'000*
0 - 90 days	177,406	105,985
Over 90 days	4,455	9,606
	181,861	115,591

11. Trade payables

The aging analysis of trade payables is as follows:

	At 30 September 2010 (Unaudited) *US$'000*	**At 31 December 2009 (Audited)** *US$'000*
0 - 90 days	1,074,602	586,944
Over 90 days	20,921	35,253
	1,095,523	622,197

MANAGEMENT DISCUSSION AND ANALYSIS

In the third quarter of 2010, China's GDP increased by 9.6 %, representing an accumulated year-on-year increase of 10.6 % for the first three quarters. As a result of the measures set in place, aimed at tightening the credit control and curb speculations in the real estate market together with the restrictions placed on energy-intensive and highly-polluting industries, China's economic growth slowed down from an 11.9% first quarter growth rate. Nevertheless, the sales of social consumables increased by 18.3% in the first three quarters, demonstrating a fairly stable growth in consumption. In the first three quarters, CPI, foodstuff and PPI increased by 2.9%, 6.1% and 5.5% respectively. During this period, despite the fact that the price of raw materials remained high level and continued to weigh on manufacturing costs, the instant food and beverage industry of China maintained its growth momentum by leveraging on solid domestic demand.

The Group's turnover for the third quarter of 2010 increased by 34.45% to US$2.1 billion due to flexible sales strategy, effective sales networks and continuous communication with consumers. The growth was mainly due to the 25.18% increase in instant noodle sales and 42.18% increase from the beverage division. During this period, prices for the Group's core raw materials were still at high level and hence costs increased significantly, resulting in squeezed margins. The Groups' gross profit margin dropped by 5.17ppt. to 30.64% but gross profit grew 15.04% when compared to the same period last year. Effective control of advertising and promotion and transportation costs led to distribution costs, as a percentage of sales, to decrease by 4.4ppt. to 16.20%.

Prior to the annual general meeting of Wei Chuan Foods Corporation limited ("Wei Chuan") held in this year, the Group exercised significant influence through its four representatives seated on the board of directors of Wei Chuan. After the annual general meeting, the Group has no representative on the board of directors of Wei Chuan and two members of the board of supervisors are appointed by the Group and this will be the Group's long term arrangement. After the Group ceased to have significant influence over Wei Chuan, in accordance with Hong Kong Accounting Standard 28 "Investments in Associates", the Group's equity interest 17.16% in Wei Chuan only without other significant influence clearly demonstrated is not classified as an investment in an associate. The Group should discontinue the use of the equity method of accounting and treated it as other investment. The Group discontinues the use of the equity method of accounting and the investment in Wei Chuan is accounted for in accordance with the requirements of HKAS 39 Financial Instruments: Recognition and Measurement. The carrying amount of the Group's interest in Wei Chuan was measured at fair value at US$98.143 million calculated based on the closing price of Wei Chuan's stock in June 2010 upon the reclassification to available-for-sale financial assets and a gain on discontinuation of equity accounting for Wei Chuan of US$68.653 million was recognized.

In the third quarter, the Group's EBITDA grew by 33.34% to US$380.369 million and Profit for the period increased by 34.33% to US$261.437 million. Profit attributable to owners of the Company increased by 36.01% to US$200.492 million and earning per share increased by 0.95 US cents to 3.59 US cents when compared to the third quarter of 2009.

In September 2010, "Master Kong" brand was ranked the fifth in "the Survey of Top Taiwan Global Brands 2010" by InterBrand, UK. Compared to the prior period, the Master Kong brand value increased by 16.4% to US$1.066 billion. The Group has ranked in the top five in the past eight years. Master Kong Brand recorded the highest growth rate in brand value, in the past two consecutive years. In the same month, Forbes announced the "Fabulous 50" list, in which the Group made its third consecutive appearance. This further reflects the performance of the Company's stock price, projected earnings, long term profitability and sales growth.

Instant Noodle Business

In the third quarter of 2010, turnover for instant noodles grew by 25.18% to US$743.208 million which represented 35.97% of the Group's total turnover. During the period, the 29.76% growth in sales of our key products, bowl noodles and high-end packet noodles and the Group's efficient production management, contributed in covering the increased production costs. When compared to same period last year, the gross margin for this segment decreased by 1.01ppt. to 31.58%. This was mainly due to the increased raw material prices. During this period, gross profit grew by 21.32% and profit attributable to owners of the Company decreased insignificantly, by 0.01% to US$94.128 million.

Master Kong makes use of braised beef, spicy beef, stewed mushroom and chicken, fresh shrimp and fish and pickled mustard beef. These ingredients form the basis of the flavor structure of its instant noodles and absorb other local catering cultural features as supplement. The products have become part of a leading brand associated with delicacy, convenience and practicality supported by a portfolio of auxiliary brands with unique features. In the third quarter of 2010, it launched six new flavors for public promotion with a view to meet the flavor preferences of its consumers. Regarding the operation of star brands, the mixed fried noodles under the brand of "Shimianbafan" bolstered its first position in the market through promotional campaigns during the peak season. "Mianba La Mian" continued its pursuit for taste and quality and effectively satisfied those consumers who crave for quality noodles. Medium priced noodles, such as "Zhen Pin", "Jing Shuang La Mian", "Hao Zi Wei" and "Super Fumanduo", made their foray in the medium/low-end market segments. In the low-end noodle market segment, we made "Fumanduo" the primary brand, where we constantly enhanced the product's advantages. For RMB1.0 Fumanduo, we launched multi-pack noodles with an aim to increase the per capita purchase and ensuring the satisfaction of the low income consumers who also crave for tasty, lower-priced and convenient noodles. For snack noodles, we made use of specialized production lines which helped to improve the product quality and boost sales growth.

According to ACNielsen's survey in September 2010, in terms of sales volume and instant noodle product value, the Group's market share in the PRC market increased to 44.5% and 57.6% respectively. The Group's market share in sales value for bowl noodle and high-end packet noodles were 69.8% and 72.2% respectively, establishing them firmly in the No.1 position for more than ten years. The Group's mid-end noodle also gained a 72.3% market share placing them No.1 in the market.

On the production front, the production system was further improved by the introduction of theTPM, WMS, ISO22000 and ISO9000 projects. The production processes in the existing plant were also upgraded. During the period, speedy production lines for instant noodles were implemented to facilitate the acceleration of automation and mechanization of plant equipment. The Nanjing and Chengdu plants have commenced production during the period.

As a leading brand in the instant noodles industry, Master Kong upholds the core values of "integrity, practicality and innovation" and is committed to offering delicious products with premium quality. The costs of the main raw materials for processing instant noodles including flour, palm oil, starch and other flavor ingredients (green onion, ginger and garlic…etc), have surged, ranging from a 15% to 100% cost increase on an accumulative basis since January 2010. Accordingly, the Group's production costs of instant noodles have reached a maximum bearable level. To balance the raw materials cost pressure, consumers' interest and sustainable development of the Group, the Group has decided to adjust the retail price of "Master Kong classical packet noodle series", which accounts for around 30% of the Group's total noodle sales, from RMB2.0 to RMB2.2 per packet, representing a 10% increase from 1 November 2010. Retail price of other instant noodle products remain unchanged.

Beverage Business

During the period, the China beverage industry maintained a steady growth rate. However, natural disasters at home and abroad during the year, exacerbated the pressure on food prices, causing the price of raw materials to soar. An increase in the price of raw materials, such as sugar posed a potentially serious impact on the beverage industry by continuously reducing the profit margin of the industry, which exerted great pressure on the operation of enterprises in the industry. Master Kong managed to control its operating costs by leveraging on its accurate marketing strategies, economies of scale and improvement of production technologies, to match the profitability of the Group's beverage business with its growing market penetration in the China beverage market.

In the third quarter of 2010, beverage turnover grew by 42.18% to US$1,262.162 million, representing 61.09% of the Group's total turnover. During the PRC peak season, the 36.56% and 87.40% sales growth of the core product RTD tea and juice drinks and the improved production efficiency and energy conservation measures have eased some of the production cost pressure. However, most of the core raw material prices remained at a high level, coupled with the severe competition. As a result, the gross profit margin of beverages decreased by 6.47ppt. to 31.14% but gross profit grew by 17.70%. Operating expenses were well controlled which led to profit attributable to owners of the Company to increase by 27.30% to US$59.229 million.

The promotional lucky draw campaign "One More Bottle" launched by Master Kong for its tea and juice drinks inspired the entire summer season. This promotional campaign, not only increased Master Kong's turnover but also benefited the consumer. Diversifying product offerings and the emergence of brand new products in the beverage market provide consumers with more choices. The Group has made aggressive efforts on the research and development of new products and launches new products annually to meet the customized needs of consumers and to provide them with differentiated values. Wild Jujube Juice, Daily C Red Guava Juice and Master Kong Pineapple Juice launched during the year, were well received by the consumers and gained a strong presence in the highly competitive juice market. The celebrity-endorsed "Master Kong Natural Water" and Wild Jujube Juice under the "New taste for traditional drink" category were highly recognized in the market, which helped to popularize Master Kong's brand image associated with premium quality and healthy nutrition.

According to ACNielsen's survey in September 2010, in terms of sales volume, Master Kong's RTD tea's market share in the overall PRC market increased to 56.7%. Market share of Master Kong bottled water was 25.6%, ranking it No.1 in the market. The Group's juice drinks have gained 19.3% market share, ranking it No.2 in the diluted juice market segment.

Master Kong's mineralized water and "Master Kong Juice" won the "Most Popular Food" awards under the water and juice categories respectively at the campaign for selection of the "Most Reliable Food Brands for the Year 2010". The campaign was jointly organized by the Chinese Nutrition Society, China Agricultural University, Chinese Center for Disease Control and Prevention, Peking Union Medical College Hospital and other renowned institutions. Master Kong's natural water also won the "Best Package Design" award and the "Outstanding TV Advertisement" award at the "Award Campaign for the Packed Water Industry for the Year 2010" held by the China Beverage Industry Association. The Group is committed to boosting the continuous, healthy and steady development of the packed drinking water industry with a view to lead the industry in improving packaging design and advertisement production and sharing best designs and innovative ideas.

Bakery Business

In the third quarter 2010, turnover for the Bakery business increased marginally by 2.13% to US$46.162 million, representing 2.23% of the Group's total turnover. During the period, the gross margin decreased by 6.07ppt. to 35.53%, mainly due to the price increase of raw materials and higher labor costs. Gross profit dropped by 12.78% and profit attributable to owners of the Company was US$1.204 million, which resulted in a decrease of US$0.871 million. The decrease was mainly due to the increased investment in advertising and promotion expenses. In future periods, the bakery business will continually strive to enhance the efficiency of bakery equipment and will actively control marketing expenses.

According to ACNielsen's survey in September 2010, in terms of sales value, Master Kong had a market share of 23.4%, ranking it No.2 in the sandwich cracker market. Market share for Master Kong egg rolls was 32.7%, ranking it No.1 in the market. During the period, the group launched Patisserie and received good response from consumers. In the third quarter, muffin sales increased by 28.89% when compared to the same period last year. The bakery business will continue to expand the growth of core bakery products such as sandwich crackers and muffins and strengthen the core, bakery production technologies through different modes of co-operation.

FINANCING

At 30 September 2010, the Group's total liabilities amounted to US$2,544.146 million, and total assets amounted to US$4,791.311 million. The Group's total liabilities increased by US$1,045.517 million as compared to US$1,498.629 million as at 31 December 2009. The debt ratio, calculated as total liabilities to total assets, increased by 9.12ppt. to 53.10% as compared to 31 December 2009. The increase in debt ratio was mainly due to the seasonal operating activity, which resulted in increased trade payables due to larger raw material purchase volumes. The increase in advertising and promotion expenses led to the increase in other payables. The Group's bank loans increased by US$219.852 million to US$554.922 million as compared to 31 December 2009. These loans were mainly used for capital expenditure and working capital. The Group's proportion of the total borrowings denominated in foreign currency and Renminbi were 99% and 1% respectively, as compared with 87% and 13% respectively as at 31 December 2009. The proportion between the Group's long-term loans and short-term loans was 25% and 75%, as compared with 35 % and 65 % respectively as at 31 December 2009. In addition, the Group's transactions are mainly denominated in Renminbi. Appreciation in Renminbi against the US Dollar of 1.96% brought an exchange gain of US$48.819 million in the first nine months of 2010. US$4.459 million and US$44.360 million of exchange gain have been included in the income statement and reserves from exchange translation respectively.

The Group has sufficient cash and credit lines to serve the Group's working capital requirements. As of 30 September 2010, the Group had bank balances and cash on hand of US$1,153.364 million, with no contingent liability. The Group continued to maintain a sound liquidity ratio.

FINANCIAL RATIO

	As at 30 September 2010	**As at 31 December 2009**
Finished goods turnover	7.74 Days	10.22 Days
Trade receivables turnover	7.65 Days	8.82 Days
Current ratio	0.82 Times	0.78 Times
Debt ratio (Total liabilities to total assets)	53.10%	43.98%
Gearing ratio (Net debt to equity attributable to owners of the Company)	-0.35 Times	-0.13 Times

HUMAN RESOURCES

The number of the Group's staff was 61,611 as at 30 September 2010 (31 December 2009: 50,023). During the period, the Group continued to create more value for its personnel and maintained a human resources direction for its long term resources, including the recruitment, training, deployment and retention of talents, the Group shall be better equipped to cultivate and retain talents for its continuous developments. Efforts were made in recruiting and cultivating high-ranked foreign reserve supervisors and speeding up the cultivation of domestic cadres. This was done with an aim to improving the managerial capability of the annually remunerated personnel at our headquarters and business divisions; we also contemplated to adopt a more competitive structure for the remuneration, performance appraisal and promotion mechanism of the Group.

We recognize that talented employees are one of Master Kong's core competitive edges. Hence, we will continue to put significant emphasis on staff training, development and employee retention.

CONNECTED TRANSACTIONS

On 28 September 2010, the Company and Greater System Holdings Limited (owned by the Group's two executive directors Mr. Wei Ing-Chou and Mr. Wei Ying-Chiao, and their brothers Mr. Wei Yin-Chun and Mr. Wei Yin-Heng, respectively in equal proportions) entered into TZCI Disposal Agreement and TFS Disposal Agreements, pursuant to which, the Great System Holdings Limited has conditionally agreed to acquire from the Company the entire interest of 40.8% in Tingzheng (Cayman Islands) Holding Corp. ("TZCI") and 51.0% in Tianjin Ting Fung Starch Development Co., Ltd. ("TFS") at a consideration of US$84.438 million and US$13.895 million respectively. The expected completion date of these transactions is on or before 30 June 2011. An announcement for these transactions was made by the Company on 28 September 2010.

The Board also announced that on 28 September 2010, the Company entered into (1) TZCI Supply Agreement, pursuant to which, TZCI will supply the TZCI materials (plastics and flexible packaging materials) to the Group for a term commencing on the completion date of TZCI Disposal Agreement and ending on 31 December 2013. (2) TFS Supply Agreement, pursuant to which, TFS will supply the TFS products (modified potato starch and seasoning flavor products) to the Group for a term commencing on the completion date of TFS Disposal Agreement and ending on 31 December 2013. The ordinary resolution approving the continuing connected transactions were duly passed at the Extraordinary General Meeting held on 11 November 2010. Details for these transactions may refer to the Company's announcements and circular made on 28 September 2010, 20 October 2010 and 11 November 2010 respectively.

PROSPECTS

As the national twelfth five-year plan of China was finalized at the fifth plenary session of the 17th CCP central committee, the five years to come will be the critical period for the transformation of China's economy. China aims to build up a well-off society by raising its current estimated GDP per capita of US$ 3,000 to US$ 5,000 for the time being and thus serving the goal of "Rich People in a Rich Nation".

According to the contents of the national twelfth five-year plan, economic restructure, regional restructure, and industrial restructure will become the three primary development themes. The detailed implementation of the plan comprise of, better consumption, investment optimization, improved income distribution, West Development, Central Restoration, accelerated urbanization, reduction of urban-countryside gap, acceleration of service industry development, and cultivation of strategic emerging industries. The consumer market will continue to maintain its strong growth momentum. In particular, the growth of income and increase spending of residents in second-tier cities and villages, will in the future directly drive the prosperity of the instant food and beverage market.

Due to the abnormal weather, supply of raw materials will be unstable and prices will continue to rise. We will enhance cost control and gradually ease the cost pressure through the improvement of production technology, refined management, accurate marketing strategies and the optimization of our product mix. In the future, the Group will continue to leverage on its own advantages to reinforce the business foundation established by itself in China. The Group will further consolidate the leading position of its products in the China market and strive to turn Master Kong into the largest instant food and beverage manufacturer in the world.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

Throughout the period ended 30 September 2010, 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. Michihiko Ota. The latest meeting of the Committee was held to review the results of the Group for this period.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the required standard as set out in the Model Code throughout the review period.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

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 report, 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. Michihiko Ota are Independent Non-executive Directors of the Company.

By Order of the Board
Wei Ing-Chou
Chairman

Tianjin, PRC, 15 November 2010

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

* *For identification purposes only*