2011

2011 Third Quarterly Report

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Quarterly Report

康師傅控股有限公司*

TINGYI (CAYMAN ISLANDS) HOLDING CORP.

(Incorporated in Cayman Islands with limited liability)

(Stock Code : 0322)

*For identification purposes only

SUMMARY

	For the three months ended 30 September		
US$ million	**2011**	**2010**	**Change**
• Turnover	2,204.479	2,066.080	↑ 6.70%
• Gross margin	27.14%	30.64%	↓ 3.5 ppt.
• Gross profit of the Group	598.279	632.979	↓ 5.48%
• EBITDA	299.397	380.369	↓ 21.29%
• Profit for the period	157.465	261.437	↓ 39.77%
• Profit attributable to owners of the Company	130.593	200.492	↓ 34.86%
• After deducting Extraordinary income of the			
Profit attributable to owners of the Company	130.593	131.839	↓ 0.95%
• Earnings per share (US cents)			
Basic	2.34	3.59	↓ 1.25 cents
Diluted	2.33	3.57	↓ 1.24 cents

At 30 September 2011, Cash and cash equivalents was US$782.310 million and gearing ratio was 0.08 times.

2011 THIRD QUARTERLY RESULTS

The Board of Directors of Tingyi (Cayman Islands) Holding Corp. (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 30 September 2011 together with the unaudited comparative figures for the corresponding period in 2010. These unaudited condensed consolidated 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 2011

		2011		**2010**	
		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	2,204,479	6,344,121	2,066,080	5,309,437
Cost of sales		(1,606,200)	(4,663,534)	(1,433,101)	(3,670,065)
Gross profit		598,279	1,680,587	632,979	1,639,372
Other net income		41,798	136,726	99,593	130,552
Distribution costs		(346,282)	(1,011,791)	(334,628)	(933,598)
Administrative expenses		(51,810)	(147,165)	(40,493)	(100,735)
Other operating expenses		(18,600)	(36,432)	(32,404)	(52,097)
Finance costs	5	(2,949)	(8,126)	(1,751)	(5,571)
Share of results of associates		—	—	4,684	9,978
Profit before taxation	5	220,436	613,799	327,980	687,901
Taxation	6	(62,971)	(148,852)	(66,543)	(144,916)
Profit for the period		157,465	464,947	261,437	542,985
Attributable to:					
Owners of the Company		130,593	359,626	200,492	398,129
Non-controlling interests		26,872	105,321	60,945	144,856
Profit for the period		157,465	464,947	261,437	542,985
Earnings per share	7				
Basic		US2.34 cents	US6.44 cents	US3.59 cents	US7.13 cents
Diluted		US2.33 cents	US6.41 cents	US3.57 cents	US7.10 cents

Condensed Consolidated Statement of Comprehensive Income
For the Three Months and Nine Months Ended 30 September 2011

	2011		2010	
	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	157,465	464,947	261,437	542,985
Other comprehensive income				
Exchange differences on consolidation	35,950	80,513	35,037	44,360
Fair value change in available-for-sale financial assets	(17,417)	(28,440)	6,010	6,010
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	18,533	48,226	41,047	50,370
Total comprehensive income for the period, net of tax	175,998	513,173	302,484	593,355
Attributable to:				
Owners of the Company	141,345	387,708	232,623	436,742
Non-controlling interests	34,653	125,465	69,861	156,613
	175,998	513,173	302,484	593,355

Condensed Consolidated Statement of Financial Position
At 30 September 2011

	Note	At 30 September 2011 (Unaudited) US$'000	At 31 December 2010 (Audited) US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		3,719,325	2,922,936
Prepaid lease payments		177,006	117,799
Available-for-sale financial assets		90,723	112,659
Deferred tax assets		51,355	50,451
		4,038,409	3,203,845
Current assets			
Financial assets at fair value through profit or loss		495	771
Inventories		356,913	309,801
Trade receivables	9	204,703	127,730
Prepayments and other receivables		358,188	280,704
Pledged bank deposits		13,821	12,024
Bank balances and cash		768,489	881,316
		1,702,609	1,612,346
Assets classified as held for sale		—	75,221
Total assets		5,741,018	4,891,412
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	10	27,951	27,934
Reserves		1,955,357	1,793,324
Total capital and reserves attributable to owners of the Company		1,983,308	1,821,258
Non-controlling interests		599,292	547,929
Total Equity		2,582,600	2,369,187
Non-current liabilities			
Long-term interest-bearing borrowings	11	179,179	177,259
Other non-current payables		842	791
Employee benefit obligations		14,121	12,097
Deferred tax liabilities		133,241	104,165
		327,383	294,312
Current liabilities			
Trade payables	12	1,221,650	1,083,913
Other payables		733,014	572,249
Current portion of interest-bearing borrowings	11	770,853	456,876
Advance payments from customers		65,062	86,940
Taxation		40,456	25,315
		2,831,035	2,225,293
Liabilities associated with assets classified as held for sale		—	2,620
Total liabilities		3,158,418	2,522,225
Total equity and liabilities		5,741,018	4,891,412
Net current liabilities		(1,128,426)	(612,947)
Total asset less current liabilities		2,909,983	2,666,119

Condensed Consolidated Statement of Changes in Equity
For the Nine Months Ended 30 September 2011

	Attributable to owners of the Company										
	Issued capital (Unaudited) *US$'000*	Capital redemption reserve (Unaudited) *US$'000*	Share premium (Unaudited) *US$'000*	Exchange translation reserve (Unaudited) *US$'000*	General reserve (Unaudited) *US$'000*	Share-based payment reserve (Unaudited) *US$'000*	Investment revaluation reserve (Unaudited) *US$'000*	Retained profits (Unaudited) *US$'000*	Total (Unaudited) *US$'000*	Non-controlling interests (Unaudited) *US$'000*	Capital and reserves (Unaudited) *US$'000*
At 1 January 2010	27,934	45	330,492	163,968	228,709	3,030	—	708,466	1,462,644	446,420	1,909,064
Profit for the period	—	—	—	—	—	—	—	398,129	398,129	144,856	542,985
Other comprehensive income											
Exchange differences on consolidation	—	—	—	32,603	—	—	—	—	32,603	11,757	44,360
Fair value change in available-for-sale financial assets	—	—	—	—	—	—	6,010	—	6,010	—	6,010
Total other comprehensive income	—	—	—	32,603	—	—	6,010	—	38,613	11,757	50,370
Total comprehensive income for the period	—	—	—	32,603	—	—	6,010	398,129	436,742	156,613	593,355
Transactions with owners of the Company											
Equity settled share-based transactions	—	—	—	—	—	3,590	—	—	3,590	—	3,590
Dividend	—	—	(39,213)	—	—	—	—	(152,414)	(191,627)	(54,321)	(245,948)
Release of reserve upon reclassification of subsidiary to liabilities held for sale	—	—	—	(241)	—	—	—	—	(241)	(12,655)	(12,896)
Transfer to general reserve	—	—	—	—	5,528	—	—	(5,528)	—	—	—
Total transactions with owners of the Company	—	—	(39,213)	(241)	5,528	3,590	—	(157,942)	(188,278)	(66,976)	(255,254)
At 30 September 2010	27,934	45	291,279	196,330	234,237	6,620	6,010	948,653	1,711,108	536,057	2,247,165

	Attributable to owners of the Company										
	Issued capital (Unaudited) *US$'000*	Capital redemption reserve (Unaudited) *US$'000*	Share premium (Unaudited) *US$'000*	Exchange translation reserve (Unaudited) *US$'000*	General reserve (Unaudited) *US$'000*	Share-based payment reserve (Unaudited) *US$'000*	Investment revaluation reserve (Unaudited) *US$'000*	Retained profits (Unaudited) *US$'000*	Total (Unaudited) *US$'000*	Non-controlling interests (Unaudited) *US$'000*	Capital and reserves (Unaudited) *US$'000*
At 1 January 2011	27,934	45	291,280	221,293	265,689	8,050	11,109	995,858	1,821,258	547,929	2,369,187
Profit for the period	—	—	—	—	—	—	—	359,626	359,626	105,321	464,947
Other comprehensive income											
Exchange differences on consolidation	—	—	—	58,480	—	—	—	—	58,480	22,033	80,513
Fair value change in available-for-sale financial assets	—	—	—	—	—	—	(28,440)	—	(28,440)	—	(28,440)
Reclassification adjustment for exchange differences release upon disposal of assets classified as held for sale	—	—	—	(1,958)	—	—	—	—	(1,958)	(1,889)	(3,847)
Total other comprehensive income	—	—	—	56,522	—	—	(28,440)	—	28,082	20,144	48,226
Total comprehensive inome for the period	—	—	—	56,522	—	—	(28,440)	359,626	387,708	125,465	513,173
Transactions with owners of the Company											
Equity settled share-based transactions	—	—	—	—	—	7,345	—	—	7,345	—	7,345
Share issued under share option scheme	17	—	7,592	—	—	(2,003)	—	—	5,606	—	5,606
Dividend	—	—	(192,624)	—	—	—	—	(45,985)	(238,609)	(62,916)	(301,525)
Transfer to general reserve	—	—	—	—	27,325	—	—	(27,325)	—	—	—
Realisation on disposal of a non-wholly owned subsidiary previously classified as assets held for sale	—	—	—	—	(3,109)	—	—	3,109	—	(11,186)	(11,186)
Total transactions with owners of the Company	17	—	(185,032)	—	24,216	5,342	—	(70,201)	(225,658)	(74,102)	(299,760)
At 30 September 2011	27,951	45	106,248	277,815	289,905	13,392	(17,331)	1,285,283	1,983,308	599,292	2,582,600

Condensed Consolidated Statement of Cash Flows
For the Nine Months Ended 30 September 2011

	For the nine months ended 30 September	
	2011	**2010**
	(Unaudited)	**(Unaudited)**
	US$'000	*US$'000*
Net cash from operating activities	752,972	1,298,122
Net cash used in investing activities	(878,616)	(639,062)
Net cash from (used in) financing activities	14,614	(25,885)
Net (decrease) increase in cash and cash equivalents	(111,030)	633,175
Cash and cash equivalents at 1 January	893,340	520,189
Cash and cash equivalents at 30 September	782,310	1,153,364
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	768,489	1,142,063
Pledged bank deposits	13,821	11,301
	782,310	1,153,364

Notes:

1. Basis of preparation and accounting policies

The Directors are responsible for the preparation of the Group's condensed consolidated third quarterly financial statements. These condensed consolidated 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 consolidated third quarterly financial statements should be read in conjunction with the 2010 annual financial statements. The accounting policies adopted in preparing the condensed consolidated third quarterly financial statements for the nine months ended 30 September 2011 are consistent with those in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except for the adoption of the new/revised standards, amendments and interpretations 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 2011:

Amendments to HKFRS 1 (Revised)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after 1 July 2010)
HKAS 24 (Revised)	Related party Disclosures (effective for annual periods beginning on or after 1 January 2011)
Amendments to HKAS 32	Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010)
Amendments to HK(IFRIC) — Int 14	Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011)
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010)
Improvement to HKFRS 2010:	Improvement to HKFRS 2010 (effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate)
• HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards (effective for annual periods beginning on or after 1 January 2011)
• HKFRS 3	Business Combinations (effective for annual periods beginning on or after 1 July 2010)
• HKFRS 7	Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2011)
• HKAS 1	Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2011)
• HKAS 34	Interim Financial Reporting (effective for annual periods beginning on or after 1 January 2011)
• HK(IFRIC) — Int 13	Customer Loyalty Programmes (effective for annual periods beginning on or after 1 January 2011)
• Transition requirements for amendments arising as a result of HKAS 27 Consolidated and Separate Financial Statements	Transition requirements for amendments arising as a result of HKAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2010)

The adoption of these new/revised standards, amendments and interpretations to HKFRS did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior years 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 the Nine Months ended 30 September 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	2,585,600	3,552,819	152,528	53,174	—	6,344,121
Inter-segment revenue	87	1,795	615	65,547	(68,044)	—
Segment turnover and revenue	2,585,687	3,554,614	153,143	118,721	(68,044)	6,344,121
Segment results after finance costs and Profit before taxation	287,221	275,531	5,923	49,149	(4,025)	613,799
Taxation	(76,327)	(63,027)	(1,023)	(8,475)	—	(148,852)
Profit for the period	210,894	212,504	4,900	40,674	(4,025)	464,947

	For the 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 after finance costs	269,306	359,874	4,027	(21,224)	(2,713)	609,270
Share of results of associates						9,978
Gain on deemed disposal of interest in an associate						68,653
Profit before taxation	269,306	359,874	4,027	(21,224)	(2,713)	687,901
Taxation	(64,426)	(75,565)	(2,193)	(2,732)	—	(144,916)
Profit for the period	204,880	284,309	1,834	(23,956)	(2,713)	542,985

Segment result represents the profit 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.

On 16 June 2011, the Company completed the disposal of a non-wholly owned subsidiary and an associate previously classified as assets held for sale at a consideration in aggregate of US$ 98,333,000 to a company owned by the Company's directors with significant influence. Gain on the disposals of US$39,175,000 has been recognised in the segments results under "Others" segment and included in the other net income in the Condensed Consolidated Income Statement for the nine months ended 30 September 2011.

3. **Segment information (continued)**

Segment assets

	At 30 September 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*
Segment assets	2,327,093	3,263,318	150,775	706,496	(849,237)	5,598,445
Unallocated assets						142,573
Total assets						5,741,018

	At 31 December 2010					
	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	1,969,050	2,554,156	136,484	634,322	(641,702)	4,652,310
Unallocated assets						239,102
Total assets						4,891,412

Segment assets include all intangible assets, tangible assets and current assets with the exception of available-for-sale financial assets, deferred tax assets, financial assets at fair value through profit or loss.

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:

	2011		2010	
	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	2,949	8,126	1,751	5,571
Other items				
Depreciation	84,767	228,581	55,172	162,896
Amortisation	967	2,294	1,316	3,919

6. Taxation

	2011		2010	
	July to September (Unaudited) *US$'000*	**January to September (Unaudited)** *US$'000*	**July to September (Unaudited)** *US$'000*	**January to September (Unaudited)** *US$'000*
Current tax – PRC Enterprise Income Tax				
Current period	52,152	119,816	53,633	114,619
Deferred taxation				
Origination and reversal of temporary differences, net	2,091	5,620	1,499	4,109
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	8,728	23,416	11,411	26,188
Total tax charge for the period	62,971	148,852	66,543	144,916

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 Company did not have any assessable profit subject to Hong Kong Profit Tax for the nine months ended 30 September 2011 and 2010.

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 ("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.

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 Western Region are entitled to a preferential rate of 15% (2010:15%).

For the PRC subsidiaries not entitled to a preferential PRC EIT, the applicable PRC EIT is at a statutory rate of 25% (2010: 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.

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

(a) Basic earnings per share

	2011		2010	
	July to September (Unaudited)	**January to September (Unaudited)**	**July to September (Unaudited)**	**January to September (Unaudited)**
Profit attributable to owners of the Company (US$'000)	130,593	359,626	200,492	398,129
Weighted average number of ordinary shares ('000)	5,589,968	5,588,046	5,586,793	5,586,793
Basic earnings per share (US cents)	2.34	6.44	3.59	7.13

(b) Diluted earnings per share

	2011		2010	
	July to September (Unaudited)	**January to September (Unaudited)**	**July to September (Unaudited)**	**January to September (Unaudited)**
Profit attributable to owners of the Company (US$'000)	130,593	359,626	200,492	398,129
Weighted average number of ordinary shares (diluted) ('000)				
Weighted average number of ordinary shares	5,589,968	5,588,046	5,586,793	5,586,793
Effect of the Company's share option scheme	27,273	24,677	20,985	19,785
Weighted average number of ordinary shares for the purpose of calculated diluted earnings per share	5,617,241	5,612,723	5,607,778	5,606,578
Diluted earnings per share (US cents)	2.33	6.41	3.57	7.10

8. Dividend

The Board of Directors does not recommend the payment of an interim dividend for the nine months ended 30 September 2011 (2010: nil).

9. 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) based on invoice date, at the end of the reporting period is as follows:

	At 30 September 2011 (Unaudited) *US$'000*	**At 31 December 2010 (Audited)** *US$'000*
0 - 90 days	194,830	121,849
Over 90 days	9,873	5,881
	204,703	127,730

10. Issued capital

	At 30 September 2011 (Unaudited)		At 31 December 2010 (Audited)	
	No. of shares	**US$'000**	**No. of shares**	**US$'000**
Authorised:				
Ordinary shares of US$0.005 each	7,000,000,000	35,000	7,000,000,000	35,000
Issued and fully paid:				
At the beginning of the period/year	5,586,793,360	27,934	5,586,793,360	27,934
Shares issued under share option scheme	3,320,000	17	—	—
At the end of the reporting period	5,590,113,360	27,951	5,586,793,360	27,934

During the nine months ended 30 September 2011, options were exercised to subscribe for 3,320,000 ordinary shares of the Company at a consideration of US$5,606,000 of which US$17,000 was credited to share capital and the balance of US$5,589,000 was credited to the share premium account. US$2,003,000 has been transferred from the share-based payment reserve to the share premium account.

11. Interest-bearing borrowings

	At 30 September 2011 (Unaudited) *US$'000*	At 31 December 2010 (Audited) *US$'000*
The maturity of the unsecured bank loans is as follows:		
Within one year	770,853	456,876
In the second year	127,929	91,964
In the third to fifth years, inclusive	51,250	85,295
	950,032	634,135
Portion classified as current liabilities	(770,853)	(456,876)
Non-current portion	179,179	177,259

After considering the impact of the fluctuation of exchange rate, during the nine months ended 30 September 2011, the Group obtained new bank loans in the amount of US$663,701,000 (2010: US$627,325,000) which were used for production facilities and working capital. Repayments of bank loans amounting to US$347,804,000 (2010: US$407,295,000) were made in line with previously disclosed repayment term.

12. Trade payables

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

	At 30 September 2011 (Unaudited) *US$'000*	At 31 December 2010 (Audited) *US$'000*
0 - 90 days	1,129,459	1,066,760
Over 90 days	92,191	17,153
	1,221,650	1,083,913

13. Commitments

	At 30 September 2011 (Unaudited) *US$'000*	At 31 December 2010 (Audited) *US$'000*
(a) **Capital commitments**		
Contracted but not provided for	377,802	260,662

(b) **Commitments under operating leases**

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

Within one year	17,580	14,939
In the second to fifth years, inclusive	37,315	21,384
After five years	17,364	14,996
	72,259	51,319

14. Related party transactions

In addition to the transactions disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions in the ordinary course of the Group's business.

	2011		2010	
	July to September (Unaudited) *US$'000*	January to September (Unaudited) *US$'000*	July to September (Unaudited) *US$'000*	January to September (Unaudited) *US$'000*
(a) Sales of goods to:				
Companies controlled by a substantial shareholder of the Company	2,081	5,256	1,643	2,754
(b) Purchases of goods from:				
Former associate	—	221,840	81,401	237,744
Companies owned by the Company's directors with significant influence	139,528	139,528	—	—
Holding company of a minority shareholder of a subsidiary of the Company	1,188	3,300	1,110	2,764
(c) Proceeds from disposal of a subsidiary and an associate previously classified as assets held for sale from:				
A company owned by the Company's director with significant influence	—	98,333	—	—
(d) Proceeds from disposal of property, plant and equipment to:				
A company owned by the Company's directors with significant influence	—	9,973	—	—
A company controlled by a substantial shareholder of the Company	—	6,479	—	—

15. Subsequent events

On 4 November 2011, the Company and PespiCo Inc. ("PepsiCo") entered into an agreement for their strategic alliance in the beverage business in the PRC that PepsiCo has agreed to contribute its entire interest in PespiCo's non-alcoholic beverage bottling business in the PRC to Tingyi-Asahi Beverages Holding Co., Ltd., a non-wholly owned subsidiary of the Company in exchange for a 9.5% direct interest in Master Kong Beverage (BVI) Co. Ltd. which is a holding company of the Group's beverage business in the PRC. The closing of the agreement will be subject to obtaining regulatory approval in the PRC and the approval from shareholders of the Company.

16. Approval of Condensed Consolidated Third Quarterly Financial Statements

The condensed consolidated third quarterly financial statements of 2011 were approved by the board of directors on 14 November 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first three quarters of 2011, the Gross Domestic Product (GDP) of the PRC grew by 9.4% as compared to the same period year-on-year; and the GDP of the third quarter grew by 9.1%, representing a slower growth rate as compared to the previous two quarters of the year. The Consumer Price Index (CPI) of the first three quarters increased by 5.7% year-on-year, with foodstuff prices increasing by 12.5% as compared to the same period year-on-year. Producer Price Index (PPI) increased by 7.0% as compared to the same period year-on-year, indicating that domestic inflationary pressure remained strong. Meanwhile, the gloomy market expectations on the recovery trend of the world economies and the aggravating European debt crisis continued to weaken the consumers' confidence. Since the beginning of 2011, rising prices of upstream raw materials and erratic climatic changes resulted in greater impact on the production costs and operating conditions of the food manufacturing enterprises, giving rise to certain challenges faced by the food and beverage industry.

In the third quarter of 2011, sales performance of the Group is still reaching towards a record high through making flexible adjustments to marketing strategies, cost structure and continuous optimization of the distribution network. The Group's turnover for the third quarter of 2011 increased by 6.70% to US$2,204.479 million. During the third quarter of 2011, the unexpected weather conditions and the price increase for raw materials affected the Group's gross profit. The Group's gross margin dropped by 3.5ppt to 27.14%, and gross profit dropped 5.48% to US$598.279 million, when compared to the same period last year. The administrative costs to the Group's turnover increased slightly by 0.39ppt. to 2.35%, when compared to the same period in last year, was mainly caused by the increase in labour cost and the imposition of urban construction tax and education tax since December 2010. With effective control over the transportation cost and advertising and promotion costs, distribution costs to sales decreased by 0.49ppt. to 15.71%. EBITDA decreased by 21.29% to US$299.397 million. Profit attributable to shareholders decreased by 34.86% to US$130.593 million and earnings per share decreased by 1.25 US cents to 2.34 US cents when compared to the same period of last year. In the third quarter of 2010, the Company recognised a gain on discontinuation of equity accounting for Wei Chuan Foods Corporation Limited's ("Wei Chuan") of US$68.653 million upon the reclassification of equity interest in Wei Chuan to available-for –sale financial assets, Taking out this non-recurring income, the profit attributable to shareholders for the third quarter of 2011, dropped slightly by 0.95%.

On 3 August 2011, Super Brands (the world's largest independent brand research and assessment organisation), announced the ranking results of the "Top 50 Favourite Brands of Consumers in China 2011". Master Kong was ranked as one of the Top 10 fast moving consumer products. On 20 September 2011, Master Kong won the first "China Food Health 7 Stars Award" launched jointly by CBN (第一財經) and Ecolab (藝康集團) by relying on its full process quality control concept "from farmland to dining table", the principle of food safety to begin at the source and the virtuous cycle of quality safety supervision. In September 2011, "Master Kong" recorded its fourth consecutive appearance in "Fabulous 50" list. In addition, it has also ranked the fifth in the Survey of 'Top Taiwan Global Brands 2011' by InterBrand, UK. Compared to the prior period, the Master Kong brand value increased by 11.63% to US$11.9 billion. The Group has ranked in the top five consecutively in the past nine years.

This series of honor has fully demonstrated the value of Master Kong's brand success, long-term outlook and support from a wide range of consumers. In the future, Master Kong will continue to develop the brand towards a world-class brand.

Instant Noodle Business

During the third quarter of 2011, the stable but slower growth of the GDP in China and the relatively high CPI hovering at 6.1% ~ 6.5% from July to September reflected a domestic economic background of a relatively tight macroeconomic policy administered by the State and the presence of persistent inflationary pressure. It is expected that the prices of vegetables, meat and edible oil will be increased slightly on a year-on-year basis in the coming fourth quarter.

In the third quarter of 2011, turnover of instant noodles business grew by 30.22% year-on-year to US$967.795 million, representing 43.90% of the Group's total turnover. During the third quarter of 2011, the growth in sales of the high margin bowl noodles and high-end packet noodles reached 36.66% and 28.93% respectively; gross margin decreased by 3.29ppt. to 28.29%. When comparing with the second quarters of 2011, the gross margin increased by 4.44ppt. The profit attributable to shareholders grew by 8.95% year-on-year to US$102.553 million.

While making further improvements to the flavors of Master Kong's top classic instant noodle products, namely "Noodles with Braised Beef", "Noodles with Spicy Beef", "Noodles with Stewed Mushroom and Chicken" and "Noodles with Fresh Shrimp and Fish", brand optimization strategies were also implemented by Master Kong for new products. Of which, "Noodles with Pickled Mustard Beef" joined hands with Yao Chen, the "Blog Queen", to promote the "Good, sour, fresh, the right taste" campaign in order to strengthen the integrated penetration strategy and drive faster growth in sales. The flavor of "Sour and Spicy Beef" was introduced with a completely new branding design and additional weight for creating a new market style of sour and spicy flavor.

In order to promote the brand continuously, Master Kong satisfied mass market flavors not only through top products, but also through the launching of a range of regional customary flavor products such as "Northeast Stew (東北燉)", "Da Lu Xiang Yan (打鹵享宴)", "Southeast Delicacy (江南美食)", "Local Grills (本幫燒)", "Chen Pao Feng Yun (陳泡風雲)", etc. to satisfy consumers from various regions, forming a north-south Master Kong food delicacy cultural chain.

In the cultivation of star brands, "Shimianbafan" aimed to bring the "Journey for Fried Noodle delicacy" to consumers, through the joint promotions of online and end point of sales activities. It was well received by the market and consolidated its top status as the delicacy benchmark for mixed fried noodles. "SOUP NOODLE soup based vermicelli" continued to disseminate the concept of "fresh delicious taste" to urban consumers and became the fastest growth vermicelli brand; "Mianba" cooked noodles continued to refine quality and develop differentiated packaging in order to target at the RMB3 high-end packet noodle market and create cooked noodle benchmark products.

"Treasures (珍品)", "Jin Shuang La Mian", "Hao Zi Wei" and "Master Kong Super Fumanduo" constituted the medium to low priced noodle brands for satisfying the market demand of the middle to lower urban market segments. The Group continued to increase results and market shares through structural adjustments of products to improve the medium priced noodle brand segment and turned it from losses to profits. The new dry crispy noodle products namely "Xiang Bao Cui (香爆脆)" was launched into the market in autumn to enrich the product categories and increase market shares.

On production technology, Master Kong accelerated the production automation process of integrated box and sales volume packing to improve the efficiency and lower the production costs. Regarding the development of new categories and production technologies of new products, the launching of "Xiang Bao Cui (香爆脆)" in various regions was completed smoothly and the reform plan of the second batch of equipment was started.

Meanwhile, the Group advanced the planning of production capacity, transportation capacity and manpower, etc. for an orderly replenishment of products on access roads through the optimization of sales; strengthening production and sales coordination, faster response and higher precision in order to cater for the upcoming winter, and the Chinese New Year peak seasons. In addition, in order to refine the logistics hardware facilities, Master Kong continued to improve the operating conditions of the volumetric storage and built new volumetric storage areas in various regions to accelerate the outflow of goods and the movement of pallet trucks in various regions.

According to ACNielsen's survey in September 2011, in terms of sales volume and value of instant noodles, the Group's market share in the overall PRC market increased to 41.4% and 56.5% respectively. In terms of sales value, the market share of the Group's bowl noodles and high-end packet noodles were 67.7% and 70.6% respectively, allowing them to gain No.1 position in the market.

Through making reasonable adjustments to the product cost structure, both the gross margin and profits of the instant noodle business in the third quarter were higher than those in the previous quarter, and the fourth quarter will focus mainly on "per capita expansion, vitality improvement and setting new peaks". To increase consumption per capita, Master Kong will start product marketing and sales promotions, continue to strengthen sales coordination, improve product and project sales and extend services to end users. At the same time, the capacity of product switching will be enhanced continuously to satisfy the market demand.

Beverage Business

In the third quarter of 2011, recovery of the world economy remained slow, domestic prices were still at high levels with high inflationary pressure; and tight macroeconomic policy increased operational pressures on enterprises. Meanwhile, although the third quarter used to be the peak season of beverage sales, however, it was affected by the occurrence of a series of food safety incidents, including the plasticizer incident and fruit juice additives, the lower temperature weather in the southern regions in the summer time due to heavy rainfalls, the ongoing crisis faced by the beverage industry in this summer and the weak performance of the overall industry; sales declined as compared to the same period of last year.

In the third quarter of 2011, the beverage business achieved effective savings in resources through precise market segmentation, branding, product, pricing and access road strategies- to offset the costs resulting from increases in raw material prices, labor costs, transportation costs etc., and the cost pressure was relieved through the lowering of unit manufacturing cost. However, under the downturn of the overall industry and the decline in consumer demand, the turnover of the beverage industry was lowered by 8.06% to US$1,160.396 million as compared to the same period of last year, representing 52.64% of the Group's total turnover. In the third quarter of 2011, the gross profit margin decreased by 5.24ppt. year-on-year to 25.90% compared to the same period of last year. When comparing with the second quarter, the gross margin decreased slightly by 0.47ppt. In the third quarter of 2011, profit attributable to shareholders for the Beverage Business decreased by 57.34%, to US$25.266 million.

RTD tea series: Tea beverage market is competitive during the summer, with all major enterprises launching new products. Being a popular brand among consumers, Master Kong still maintained its leading position in the tea beverage market owing to its extensive product lines; through its healthy, trendy and high quality products' characteristics,; and through the continuous improvement of its products, processing techniques, packaging technology as well as the significant presence of refrigerators on access roads.

Fruit juice series: To provide consumers with higher quality and more assorted fruit juices, Master Kong introduced different flavours of its products to different regions in addition to launching them nationwide. This would allow consumers to enjoy the delicious and healthy fruit juices and satisfy their nutritional needs, bringing them a large energy boost.

For the "New taste for traditional drinks" category, the ever-changing tastes of consumers required continuous innovations by enterprises, such that the new products will be created to satisfy the new tastes and new demand of consumers. For unique outstanding new traditional drinks, following the launch of two products, namely sour plum drink and Wild Jujube Juice, Master Kong has added a new member to the "New taste for traditional drinks" category, namely the Crystal sugar pear juice. It has a sweet and light flavor in thick pear juice, providing deep nutrition and comfort to the blood circulation and respiratory body system with a cooling effect, and it is a new product fully developed by Master Kong.

On bottled water, lighter packs have become the most demanded mode of operation, generally adopted by enterprises. Master Kong has been researching how to reduce the weight of bottles since 2004. On the basis of assured bottle quality and taking into account the computer-controlled blowing process; and the pressing and rubbing impact during the transportation process etc., an innovative 12 gram environmentally-friendly light weight bottle was launched, pioneering the environmentally-friendly journey of the beverage industry. The environmentally-friendly light weight bottle from Master Kong reduces the usage of plastic particles and hence reduces the carbon emission arising from plastic usage. At the same time, the lighter weight of bottles also reduces the electricity usage in its production. Innovative design and excellent quality have contributed to the market recognition and preferences by consumers won by Master Kong, strengthening the leading market position of Master Kong in the bottled water segment.

According to ACNielsen's latest survey in September 2011, in terms of sales volume, Master Kong's RTD tea's market share in the overall PRC market increased to 54.6%, continuing to lead and occupy for half of the RTD tea market. Master Kong Bottled water's market share of 25.2%, ranked No.1 in the market. By using duo brands Fresh Daily C and Master Kong, the Group's fruit juice drinks have gained 20.3% market share, ranking it in the Top 3 positions of the diluted juice market.

Instant Food Business

In order to actively cope with the fierce competition in the food industry and to optimize branding, the bakery business of the Group changed its name to "instant food business" since the third quarter of 2011. Professional division of labor was implemented in product branding and sales in order to expand the product categories of instant food business and strengthen its network.

In the third quarter of 2011, turnover for bakery increased by 25.80% year-on-year reaching US$58.073 million, representing 2.63% of the Group's total turnover. In the third quarter of 2011, gross margin for bakery increased by 1.81ppt. year-on-year to 37.34%. When comparing to the last quarter, gross margin increased by 1.79ppt. In the third quarter of 2011, gross profit increased by 32.24%. Profit attributable to shareholders was US$2.032 million, with an increase of 68.83% when compared to the same period of last year. The increase was mainly due to the sales growth, and the main benefit was from the stronger sales networks. Meanwhile, continuing to promote the improvement of production equipment and optimizing marketing channels, can enhance the gross profit to offset the cost increasing from raw material and labor.

According to ACNielsen's survey in September 2011, Master Kong gained an overall market share in term of sales value and sales volume of 7.8% and 6.6% respectively in the China bakery market and ranked No. 2 in the market; Master Kong's sandwich cracker had a market share in term of sales value and sales volume of 21.6% and 23.5%, and ranked No.2 in the sandwich cracker market. The new launched series of Muffin France Cake were selling well. In the third quarter of 2011, sales growth for cake grew by 21.66% year-on-year when comparing with the same time last year; Market share in term of sales value and sales volume for Master Kong egg rolls were 36.9% and 29.7%, and ranked No.1 in the market.

Master Kong continues to improve the efficiency of its bakery equipment and actively controls marketing expenses and expands with the growth of core products through launching new products. Different modes of strategic cooperation will be considered in order to enrich the number of product types and enlarge the investment in core production technologies.

FINANCING

The Group continued to maintain a stable and healthy finance structure for working capital use through the effective control of trade receivables, trade payables and inventories. On 30 September 2011, the Group's cash and bank deposits totaled US$782.310 million, a decrease of US$111.030 million from 31 December 2010. As at 30 September 2011, the Group's total assets and total liabilities amounted to approximately US$5,741.018 million and US$3,158.418 million respectively, representing increases of US$849.606 million and US$636.193 million respectively when compared to 31 December 2010. The debt ratio increased by 3.45 ppt. to 55.01% as compared with 31 December 2010. The increase in debt ratio was mainly because of the increase of trade payables for purchasing of more raw materials due to the seasonal demand.

As at 30 September 2011, the Group's total borrowings increased by US$315.897 million to US$950.032 million. The borrowings were mainly used for acquisition of new production facilities and working capital. The Group's proportion of the total borrowings denominated in foreign currencies and Renminbi were 99% and 1% respectively, as compared with 98% and 2% respectively as at 31 December 2010. The proportion between the Group's long-term loans and short-term loans were 19% and 81%, as compared with 28% and 72% respectively as at 31 December 2010. In addition, the Group's transactions are mainly denominated in Renminbi. During the nine months period, the appreciation in Renminbi against the US Dollar of 3.14% brought an exchange gain of US$87.944 million; the exchange gain of US$7.431 million and exchange gain on translation of US$80.513 million have been included in the income statement and exchange translation reserve respectively.

FINANCIAL RATIO

	As at 30 September 2011	**As at 31 December 2010**
Finished goods turnover	8.77 Days	8.62 Days
Trade receivables turnover	7.15 Days	6.65 Days
Current ratio	0.60 Times	0.72 Times
Debt ratio (Total liabilities to total assets)	55.01%	51.56%
Gearing ratio (Net debt to equity attributable to owners of the Company)	0.08 Times	-0.14 Times

HUMAN RESOURCES

As at 30 September 2011, the Group employed 63,671 (31 December 2010: 64,436) employees.

To present, the Group has constantly upheld the management principles of improving personnel training, technology development, system development and teamwork. The Group will continue to strengthen personnel training, fully applying the selection, education, deployment and retention principles to create human value, and enhance various personnel development policies in order to develop and retain outstanding talents continuously for the Group.

During the nine months period, the Group had improved the selection and training system for reserving human resources through the establishment of a reserve system for heads of various levels and refined the training courses for reserved officers. Meanwhile, the attitude on performance was more deeply rooted, the utilization of a computerized performance appraisal system was promoted. In addition, to properly contribute towards social responsibility and enhance its corporate image, sponsorship was provided to National Sun Yat-sen University in Taiwan for organizing a master degree course on Asia Pacific Human Resources Management to educate high level human resources management talents. To train and prepare management cadre for succession of key management functions, the Group co-operates with Japan Waseda University to train the Group's staff.

The Group has been consistent in the emphasis on personnel training, development and retention. Human resource is considere as the cornerstone for corporate development, and the Group firmly believes this is one of the core essential elements for the Group to grow rapidly and achieve outstanding results.

PROSPECTS

As the European debt crisis agravated in 2011, the instability factors of the global economy and financial markets increased. The GDP growth of China slackened for three consecutive quarters, nevertheless, the main reason of the slower economic growth was due to the active controls by policy measures. Data on investment and imports showed that sufficient internal demand was generated for driving domestic economic growth. In the medium to long term, the future economic growth of China will gradually be transformed from investment and export-oriented growth to consumption-led growth. There will still be tremendous room for growth and development opportunities in the consumer product market in China. Meanwhile, implementation of policies to establish a sound social security system, improvement of income distribution among residents, and acceleration of the urbanization process will be favorable to raise the consumption level of the middle to lower income groups and create new consumption demand, which will in turn lead to vigorous development in the instant food and beverage market.

Due to the rising labor costs and ongoing high raw material prices, coupled with the low season for beverage in winter, we expect the operating environment remains difficult in the fourth quarter this year. The Group's profitability will remain challenging, the Group (on the basis of consolidating its current leading position in the Chinese market) will actively expand into new markets, strengthen cost controls, optimize product mix, enhance product research and development and innovation capabilities in order to further expand sales and market shares, whilst providing better products to the public and better returns to our shareholders.

On 4 November 2011, the Company and PespiCo entered into the agreement for their strategic alliance in the beverage business in the PRC. This strategic alliance aimed at exploring more business opportunities and platform in the fast growing PRC beverage market, promoting future growth and creating long-term business value for the Company and PespiCo. The closing of the agreement will be subject to obtaining regulatory approval in the PRC and the approval from shareholders of the Company. Details for the agreement may refer to Company's announcement on 4 November 2011.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

Throughout the period ended 30 September 2011, 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. Daisuke Okada. 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. Daisuke Okada. 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

For the period of nine months ended 30 September 2011, 3,320,000 options had been exercised under the Share Option Scheme. Weighted average exercise price was $13.14 and the weighted average market closing price before the validity period was $23.59.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE OFFICER IN SHARES

As at 30 September 2011, the interests and short positions of the Directors and Chief Executive Officer in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

(a) Long position in Shares and underlying Shares

Name of Directors	Number of ordinary shares Personal interests	Number of ordinary shares Corporate interests *(Note 1)*	% of the issued share capital	Number of underlying shares held under share options *(Note 2)*
Wei Ing-Chou	13,242,000	1,859,776,366	33.67%	9,280,000
Wei Ying-Chiao	—	1,859,776,366	33.27%	—

(b) Long position in shares of associated corporation

Name of Directors	Name of associated Corporation	Number of shares of the associated corporation *(Note 3)*	% of the issued share capital *(Note 3)*	Nature of interest *(Note 3)*
Wei Ing-Chou	Tingyi-Asahi Beverages Holding Co. Ltd.	179,918 shares	17.99%	Corporate
Wei Ying-Chiao	Tingyi-Asahi Beverages Holding Co. Ltd.	179,918 shares	17.99%	Corporate

Note:

1. These 1,859,776,366 shares are held by and registered under the name of Ting Hsin. Ting Hsin is beneficially owned as to approximately 43.94% by Ho Te Investments Limited ("Ho Te"), as to approximately 30.15% by Rich Cheer Holdings Limited ("Rich Cheer"), as to 25.23% by China Foods Investment Corp., an independent third party which was incorporated by Itochu Corporation and Asahi Breweries, Ltd., and as to the remaining 0.68% by unrelated third parties. Ho Te and Rich Cheer were owned as to 100% by Profit Surplus Holdings Limited ("Profit Surplus"). Profit Surplus is the trustee of a unit trust, which is in turn held by four discretionary trusts in equal proportions. HSBC International Trustee Limited is the trustee of each of the above four discretionary trusts, the settlors and discretionary objects of the above four discretionary trusts are as follows:

   — Wei Chang Lu-Yun is the settlor of one of the above discretionary trusts with Wei Chang Lu-Yun and Wei Ing Chou as discretionary objects;

   — Lin Li-Mien is the settlor of one of the above discretionary trusts with Lin Li-Mien and Wei Ying-Chiao as discretionary objects;

   — Wei Hsu Hsiu-Mien is the settlor of one of the above discretionary trusts with Wei Hsu Hsiu-Mien and Wei Yin-Chun as discretionary objects; and

   — Wei Tu Miao is the settlor of one of the above discretionary trusts with Wei Tu Miao and Wei Yin-Heng as discretionary objects.

2. Wei Ing-Chou is also personally interested in 13,242,000 Shares and holds 9,280,000 share options (2,000,000 share options are exercisable for the period from 21 March 2013 to 20 March 2018 at an exercise price of HK$9.28 per share, 2,816,000 share options are exercisable for the period from 23 April 2014 to 22 April 2019 at an exercise price of HK$9.38 per share and 2,200,000 share options are exercisable for the period from 1 April 2015 to 31 March 2020 at an exercise price of HK$18.57 per share.) under the share option scheme of he Company passed by an extraordinary general meeting of the Company held on 20 March 2008. After the reported period, on 12 April 2011, the company offered 2,264,000 share options to Wei Ing-Chou, which are exercisable for the period from 12 April 2016 to 11 April 2021 at an exercise price of HK$19.96 per share. Wei Chang Lu-Yun, being the spouse of Wei Ing-Chou, is also deemed to be interested in the shares and the underlying shares held by Wei Ing-Chou.

3. These 179,918 shares are held by and registered under the name of Ting Hsin. Please refer to note 1 for the shareholding structure of Ting Hsin.

Save as disclosed above, at no time during the year ended 30 September 2011 there were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in or any other body corporate.

Save as disclosed in this paragraph, as at 30 September 2011, none of the Directors and Chief Executive Officer had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

Substantial Shareholders and Other Persons' Interests in Shares

So far as was known to any Director or Chief Executive Officer of the Company, as at 30 September 2011, the interests or short positions of substantial shareholders and other persons of the Company, in the shares and underlying shares of the Company as recorded in the register required to the kept under section 336 of the SFO, or as otherwise notified to the Company, were as follows:

Long position in the Shares and the underlying Shares

Name of shareholder	Capacity	Number of shares held	% of the issued share capital
Ting Hsin *(see note 1)*	Beneficial owner	1,859,776,366	33.27
Ho Te Investments Limited *(see note 1)*	Interest of controlled company	1,859,776,366	33.27
Rich Cheer Holdings Limited *(see note 1)*	Interest of controlled company	1,859,776,366	33.27
Profit Surplus Holdings Limited *(see note 1)*	Trustee of a unit trust	1,859,776,366	33.27
HSBC International Trustee Limited *(see note 1)*	Trustee of discretionary trusts	1,859,776,366	33.27
Wei Yin-Chun *(see note 1)*	Beneficiary of a discretionary trust	1,859,776,366	33.27
Wei Yin-Heng *(see note 1)*	Beneficiary of a discretionary trust	1,859,776,366	33.27
Wei Chang Lu-Yun *(see notes 1 & 2)*	Settlor and beneficiary of a discretionary trust/Interest of spouse	1,882,298,366	33.67
Lin Li-Mien *(see note 1)*	Settlor and beneficiary of a discretionary trust/Interest of spouse	1,859,776,366	33.27
Wei Hsu Hsiu-Mien *(see note 1)*	Settlor and beneficiary of a discretionary trust/Interest of spouse	1,859,776,366	33.27
Wei Tu Miao *(see note 1)*	Settlor and beneficiary of a discretionary trust/Interest of spouse	1,859,776,366	33.27
Sanyo Foods Co., Ltd.	Beneficial owner	1,854,827,866	33.18

Notes:

1. These 1,859,776,366 shares are held by and registered under the name of Ting Hsin. Ting Hsin is beneficially owned as to approximately 43.94% by Ho Te Investments Limited ("Ho Te"), as to approximately 30.15% by Rich Cheer Holdings Limited ("Rich Cheer"), as to 25.23% by China Foods Investment Corp., an independent third party which was incorporated by Itochu Corporation and Asahi Breweries, Ltd., and as to the remaining 0.68% by unrelated third parties. Ho Te and Rich Cheer were owned as to 100% by Profit Surplus Holdings Limited ("Profit Surplus"). Profit Surplus is the trustee of a unit trust, which is in turn held by four discretionary trusts in equal proportions. HSBC International Trustee Limited is the trustee of each of the above four discretionary trusts, the settlors and discretionary objects of the above four discretionary trusts are as follows:

   — Wei Chang Lu-Yun is the settlor of one of the above discretionary trusts with Wei Chang Lu-Yun and Wei Ing-Chou as discretionary objects;

   — Lin Li-Mien is the settlor of one of the above discretionary trusts with Lin Li-Mien and Wei Ying-Chiao as discretionary objects;

   — Wei Hsu Hsiu-Mien is the settlor of one of the above discretionary trusts with Wei Hsu Hsiu-Mien and Wei Yin-Chun as discretionary objects; and

   — Wei Tu Miao is the settlor of one of the above discretionary trusts with Wei Tu Miao and Wei Yin-Heng as discretionary objects.

2. Wei Ing-Chou is also personally interested in 13,242,000 Shares and holds 9,280,000 share options (2,000,000 share options are exercisable for the period from 21 March 2013 to 20 March 2018 at an exercise price of HK$9.28 per share, 2,816,000 share options are exercisable for the period from 23 April 2014 to 22 April 2019 at an exercise price of HK$9.38 per share and 2,200,000 share options are exercisable for the period from 1 April 2015 to 31 March 2020 at an exercise price of HK$18.57 per share.) under the share option scheme of he Company passed by an extraordinary general meeting of the Company held on 20 March 2008. After the reported period, on 12 April 2011, the company offered 2,264,000 share options to Wei Ing-Chou, which are exercisable for the period from 12 April 2016 to 11 April 2021 at an exercise price of HK$19.96 per share. Wei Chang Lu-Yun, being the spouse of Wei Ing-Chou, is also deemed to be interested in the shares and the underlying shares held by Wei Ing-Chou.

Apart from the above, no other interest or short position in the shares or underlying shares of the Company were recorded in register required to be kept under section 336 of the SFO as at 30 September 2011.

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. Daisuke Okada are Independent Non-executive Directors of the Company.

By Order of the Board
Wei Ing-Chou
Chairman

Tianjin, PRC, 14 November 2011

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