



# Tingyi (Cayman Islands) Holding Corp.

(Incorporated in the Cayman Islands with limited liability)

## THIRD QUARTER RESULTS FOR THE THREE MONTHS ENDED 30TH SEPTEMBER 2001

### SUMMARY

Although the economic growth in the PRC showed signs of decrease in the third quarter as a result of the international economic change, the effectiveness of the corporate operating strategy together with the high sensibility of marketing contributed to the Group's satisfactory results.

- Profit attributable to shareholders reached US\$27.501 million, an increase by 47.94% as compared to the corresponding period last year;
- Gross margin of the Group rose by 1.63 pp to 35.75%, as compared to 34.12% in the corresponding period last year;
- Earnings per share was US0.49 cents, an increase of US0.16 cents as compared to the corresponding period last year;
- Turnover of the Group amounted to US\$285 million, an increase by 40.42% as compared to the corresponding period last year;
- Turnover for instant noodle, bakery and beverage were US\$157.030 million, US\$27.980 million and US\$92.130 million respectively. Their growth rates were 14.87%, 61.80% and 108.08% respectively from the previous year.

### THIRD QUARTER RESULTS

The Board of Directors of Tingyi (Cayman Islands) Holding Corp. (the "Company") is pleased to announce the unaudited condensed consolidated third quarter financial statements of the Company and its subsidiaries (the "Group") for the three months and nine months ended 30th September 2001 together with the unaudited comparative figures for the corresponding period in 2000. These third quarter financial statements have not been audited, but have been reviewed by the Company's audit committee.

### Condensed Consolidated Income Statement

For the Three Months and Nine Months Ended 30th September 2001

	For the period ended			
	30th September 2001		30th September 2000	
	Three Months (Unaudited)	Nine Months (Unaudited)	Three Months (Unaudited)	Nine Months (Unaudited)
	US\$'000	US\$'000	US\$'000	US\$'000
Turnover (Note 2)	285,061	707,770	203,002	545,421
Cost of sales	(183,155)	(467,610)	(133,733)	(372,853)
Gross Profit	101,906	240,160	69,269	172,568
Other income	3,384	8,862	6,435	15,153
Distribution costs	(50,728)	(128,697)	(30,547)	(86,623)
Administrative expenses	(10,729)	(31,076)	(9,120)	(27,097)
Other operating expenses	(5,888)	(14,537)	(8,720)	(15,166)
Profit from operations (Note 3)	37,945	74,712	27,317	58,835
Finance costs (Note 4)	(5,919)	(17,920)	(6,227)	(16,903)
Share of (loss)/profit of associates	(723)	(484)	70	(60)
Profit before taxation	31,303	56,308	21,160	41,872
Taxation (Note 5)	(2,583)	(6,097)	(1,683)	(4,346)
Profit from ordinary activities after taxation	28,720	50,211	19,477	37,526
Minority interests	(1,219)	(2,446)	(888)	(1,777)
Net profit attributable to shareholders (Note 2)	27,501	47,765	18,589	35,749
Earnings per share (Note 6)	0.49 cents	0.85 cents	0.33 cents	0.64 cents

### Notes:

#### 1. Accounting policies

These unaudited condensed interim financial statements ("interim financial statements") are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants (as applicable to condensed interim financial statements) and Appendix 16 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The adoption of new accounting policy in accordance with SSAP 9 (Revised) has resulted in significant impact on the preparation of the interim financial statements. Events after the balance sheet date as defined by this accounting standard are those events that occur between the balance sheet date and the date when the financial statements are authorised for issue. This accounting standard requires that, if dividends are proposed or declared after the balance sheet date, an enterprise should not recognise those dividends as a liability at the balance sheet date. After the adoption of this accounting standard, reclassification is required for the Group's retained profits and proposed dividend as at 31st December 2000.

Except for the above changes, the accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the annual accounts for the year ended 31st December 2000.

#### 2. Turnover and segmental information

Turnover represents sales of goods at invoiced value to customers, net of returns, discounts and Value Added Tax. The Group operates mainly in the People's Republic of China (the "PRC"). The turnover and contribution to the Group's profit are mainly from the PRC.

#### 6. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period and on the weighted average of ordinary shares in issue during the period.

	For the period ended			
	30th September 2001		30th September 2000	
	Three Months No. of shares (Million)	Nine Months No. of shares (Million)	Three Months No. of shares (Million)	Nine Months No. of shares (Million)
Issued weighted average of ordinary shares	5,589	5,589	5,592	5,593

Diluted earnings per share has not been shown as the convertible bonds outstanding during these periods are anti-dilutive.

#### 7. Dividend

The Board of Directors resolves that no dividend be paid for the nine months ended 30th September 2001 (2000: nil).

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Business Review

##### Instant Noodle Business

Accumulative in turnover for the Group's core instant noodle business increased by 11.27% from a year ago. The growth in sales was mainly because of the product modifications: re-launched a youthfully packaged "Jumbo 120", increased the size of "Luxury Series" and launched "Jin La Mian" (suitable to cook). Turnover of bowl noodle increased by 21.27% mainly because of the growth in sales of bucket noodles. Market share for the low-end noodle was 70% of the total PRC instant noodle market and turnover for the Group's low-end instant noodle rose by 35.35%.

During the period, the accumulative gross margin of instant noodles was 30.52%, same as a year ago.

##### Bakery Business

Accumulative turnover for bakery business increased by 33.80% from a year ago, mainly due to the increase in sales of savory and sweet crisp sandwich biscuits and Muffin. Although the sales volume of the Group's rice crackers decreased, the turnover for rice crackers for the export market increased significantly and mitigated the impact for the decrease in sales of rice crackers in the PRC market.

During the period, the accumulative gross margin for bakery products was 34.80%, fell by 1.7 pp and gross profit increased 27.56% when compared to a year ago. The decrease in gross margin was mainly because of the lower margin for export market and the fact that Guangzhou Tingyuan Food Co., Ltd had not achieved the economies of scale since its re-commencement of production in the second quarter.

##### Beverage Business

Accumulative turnover for beverage business increased by 105.67% from a year ago, mainly due to the improvement of brand image through celebrity and music marketing together with media network and road show during the pass four quarters. At the same time, the success in the "Better Access, Broader Reach" strategy further extended the Group's sales network and helped the Group achieve a new record in beverage turnover. Since the Group's PET beverage continued to experience a supply shortage, it benefited the sales for Tetra-Pak and canned beverages of the same taste. Among the Group's tea drinks, "Mr. Kon" is the leading brand in the PRC packaged tea market.

During the period, the accumulative gross margin of the beverage business rose by 7.31 pp to 42.16% from the corresponding period in 2000 owing to changes in the product mix and better productivity.

##### Financing

As of 30th September 2001, the Group's total liabilities amounted to US\$609 million, representing an increase of US\$86.090 million from the previous year's US\$523 million. Total assets amounted to US\$1,160 million. The leverage ratio (total liabilities to total assets) increased by 3.05 pp to 52.55% as compared to 31st December 2000.

As of 30th September 2001, the Group increased long-term and short-term loans by US\$8.038 million as compared to 31st December 2000.

##### Financial Ratio

	As at 30th September 2001	As at 31st December 2000
Finished goods turnover	15.81 Days	16.47 Days
Accounts receivable turnover	16.13 Days	17.50 Days
Current ratio	0.82 Times	0.69 Times
Leverage ratio	52.55%	49.50%

##### Liquidity and foreign exchange risk management

The Directors have also taken steps to improve the Group's liquidity. The repayment terms of its debt portfolio has been extended to improve the Group's ability to meet repayments and so relieve repayment pressures. During the third quarter of 2001, short-term borrowings of US\$102 million have been transferred to long-term borrowings denominated in renminbi. The increase in loans denominated in renminbi and the reduction in loans denominated in foreign currency will reduce the Group's exposure to foreign exchange risk and costs. Following four years of effort, as at the end of September 2001, the Group's U.S. dollar debts have been reduced from 93% at the end of 1997 to 43% of total debt.

An analysis of the Group's turnover by major products is as follows:

	For the period ended			
	30th September 2001		30th September 2000	
	Three Months (Unaudited) US\$'000	Nine Months (Unaudited) US\$'000	Three Months (Unaudited) US\$'000	Nine Months (Unaudited) US\$'000
Instant noodles	157,030	431,212	136,706	387,528
Bakery	27,980	67,465	17,292	50,423
Beverages	92,130	192,671	44,276	93,678
Others	7,921	16,422	4,728	13,792
Total	<u>285,061</u>	<u>707,770</u>	<u>203,002</u>	<u>545,421</u>

An analysis of the Group's profit/(loss) attributable to shareholders by major products is as follows:

	For the period ended			
	30th September 2001		30th September 2000	
	Three Months (Unaudited) US\$'000	Nine Months (Unaudited) US\$'000	Three Months (Unaudited) US\$'000	Nine Months (Unaudited) US\$'000
Instant noodles	13,751	34,996	15,016	33,481
Bakery	1,178	(1,002)	(78)	(601)
Beverages	14,995	17,566	4,147	(884)
Others	(2,423)	(3,795)	(298)	(1,272)
Sub total	27,501	47,765	18,787	30,724
Non-operating (loss)/profit	—	—	(198)	5,025
Total	<u>27,501</u>	<u>47,765</u>	<u>18,589</u>	<u>35,749</u>

### 3. Profit from operations

Profit from operations is stated after charging the following:

	For the period ended			
	30th September 2001		30th September 2000	
	Three Months (Unaudited) US\$'000	Nine Months (Unaudited) US\$'000	Three Months (Unaudited) US\$'000	Nine Months (Unaudited) US\$'000
Depreciation	15,580	47,898	15,141	45,347

### 4. Finance costs

	For the period ended			
	30th September 2001		30th September 2000	
	Three Months (Unaudited) US\$'000	Nine Months (Unaudited) US\$'000	Three Months (Unaudited) US\$'000	Nine Months (Unaudited) US\$'000
Interest expenses:				
Bank and other loans wholly repayable within five years	5,919	17,920	6,981	21,229
Gain on repurchase of convertible bonds, net of expenses	—	—	(754)	(4,326)
	<u>5,919</u>	<u>17,920</u>	<u>6,227</u>	<u>16,903</u>

### 5. Taxation

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

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

Subsidiaries in the PRC are subject to tax laws applicable to foreign investment enterprises in the PRC and are fully exempt from PRC enterprise income tax of 15% for two years starting from the first profit making year followed by a 50% reduction for the next three years.

Deferred taxation has not been provided as the effect of timing differences is insignificant at the balance sheet date.

### Production

The Group's instant noodle division has established 10 production centres in Harbin, Shenyang, Tianjin, Qingdao, Hangzhou, Wuhan, Chongqing, Xi'an, Fuzhou and Guangzhou in the PRC. Apart from those in Fuzhou and Qingdao, all production lines have been put into production to meet demand from different market segments and to provide products for export to Europe and the U.S.A..

The beverage division has nine production facilities in Shenyang, Tianjin, Qingdao, Hangzhou, Wuhan, Chongqing, Xi'an, Fuzhou and Guangzhou to meet the increasing market for drinks. Although the Group can produce a variety of products nation-wide and help consolidate the Group's leading position in the beverage market, PET drinks continued to meet a supply shortage.

The bakery division owns three production facilities in Tianjin, Hangzhou and Guangzhou, which have first-rate equipment and offer great potential for expansion. The Group made full use of its unutilised equipment to increase sales to overseas market, which helped boost overseas sales. There was significant growth in overseas sales as compared with previous period.

### Sales Network

As the "Better Access, Broader Reach" strategy began achieving results, the time required for the launch of new products into the market was in particular shortened. At the same time, the Group's sales network was effectively under control. The Group established a system of rewards and penalties to motivate its wholesalers, while strengthening its partnership relations with sole agencies, which also helped to boost sales. During the period, the Group also developed Hong Kong market through the launch of beverage products. Due to the success in developing overseas market, sales orders for bakery products to overseas market increased significantly. In the PRC, the Group's logistics system in major cities have been integrated by the Group's subsidiary Shanghai Tingtong Logistics Co., Ltd. The integration will benefit the Group's business in the second half of the year and in the future through reducing cost and boosting sales.

### Prospects

Continuing to make use of the Group's advantage and keep high sensibility of marketing, the Group's strategies are as follows:

1. Introduce strategic partners to strengthen beverage, bakery and confectionery businesses;
2. Fully develop the Group's logistics and e-commerce system;
3. Actively expand market share and brand awareness;
4. Upgrade production technology;
5. Build a financially sound operational system;
6. Create a flatter structure, characterized by diligence, honesty and ability; and
7. Establish a Group-wide ISO standard.

### PURCHASE, SALE OR REDEMPTION OF SHARES AND CONVERTIBLE BONDS

During the period, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares and convertible bonds.

### AUDIT COMMITTEE

In compliance with the requirement of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group has established in September 1999 an Audit Committee. The latest meeting of the committee was held to review the results of the Group for the period.

### CODE OF BEST PRACTICE

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except all 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.

### PUBLICATION OF FINANCIAL INFORMATION

The detailed announcement on the results for the three months ended 30th September 2001 which sets out all the information required by paragraphs 45(1) and 45(3) inclusive in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be available for publication in the website of The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>) within 21 days from the date of this announcement.

Tianjin, PRC, 13th November 2001

Website: <http://www.tingyi.com>  
<http://www.irasia.com/listco/hk/tingyi>

By Order of the Board  
**Wei Ing-Chou**  
*Chairman*