



康師傅控股有限公司\*

TINGYI (CAYMAN ISLANDS) HOLDING CORP.

(Incorporated in the Cayman Islands with limited liability)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2002

SUMMARY

As a result of the gradual recovery of world economy, the GDP of the PRC grew by 7.8% during the first half of the year 2002 as compared to the corresponding period last year. There was still relatively steady and fast growth since the PRC's economy was good as a whole. The Group benefited from the surrounding environment and effective marketing strategy, together with the suitable expansion in the beverage production capacity so that both the Group's sales and profit reached a new record. Profit attributable to shareholders surged by 153% to US\$ 51.197 million as compared with the corresponding period last year.

- Profit attributable to shareholders reached US\$51.197 million, an increase by 153% as compared to the corresponding period last year.
- Gross margin of the Group increased to 35.17% from 32.71% a year ago, representing an improvement of 2.46pp.
- Earnings per share amounted to US0.92 cents as compared to US0.36 cents a year ago, increased by US0.56 cents.
- Turnover of the Group amounted to US\$532 million, rose by 25.84% as compared to the corresponding period last year.
- Turnover for instant noodle, beverage and bakery was US\$296 million, US\$187 million and US\$40.823 million, and the product growth rates were 7.82%, 86.25% and 3.39% respectively.

INTERIM RESULTS

The Board of Directors of Tingyi (Cayman Islands) Holding Corp. (the "Company") is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2002 together with the unaudited comparative figures for the corresponding period in 2001. These interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

Condensed Consolidated Income Statement

For the Six Months Ended 30th June 2002

		2002 (Unaudited) US\$'000	2001 (Unaudited) US\$'000
	Notes		
Turnover	2	531,955	422,709
Cost of sales		(344,890)	(284,456)
Gross Profit		187,065	138,253
Other revenue		1,224	1,130
Other net income		10,140	4,348
Distribution costs		(96,694)	(77,969)
Administrative expenses		(21,053)	(20,347)
Other operating expenses		(10,385)	(8,647)
Profit from operations	3	70,297	36,768
Finance costs	4	(12,612)	(12,002)
Share of (loss)profit of associates		(1,017)	239
Profit before taxation		56,668	25,005
Taxation	5	(4,602)	(3,514)
Profit from ordinary activities after taxation		52,066	21,491
Minority interests		(869)	(1,227)
Net profit attributable to shareholders		51,197	20,264
Earnings per share	6	US0.92 cents	US0.36 cents

Notes to the condensed interim financial statements:

1. Accounting policies

These unaudited condensed 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. Except for the following 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 2001.

In the current period, the financial statements have been prepared in accordance with SSAPs which are effective for the accounting periods commencing on or after 1st January

7. Dividend

The Board of Directors resolves that no interim dividend be paid for the six months ended 30th June 2002 (2001: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Instant Noodle Business

Turnover of the Group's core instant noodle segment increased by 7.82% to US\$296 million as compared to same period last year and amounted to 56% of the Group's turnover. The growth was mainly because of the success in product positioning and product differentiation, strengthening the active reform of distribution network, more communication with target consumer group and carrying out different promotion activities. During the period, the Group launched "Gan Bun Mian", "Chao Ling Long" cup noodle and the repackaged Mr.Kon series noodle. Those new products made the brand of Mr.Kon more younger and more fashionable. Thanks for the foundation of "Better Access, Broader Reach" strategy, the Group's low-end noodle also had a good performance.

During the period, the gross margin for instant noodle was 27.82%, a drop by 0.4pp as compared to corresponding period last year. The decline was mainly due to (1) the change of product mix so that the sales growth from low-end noodle was greater than high-end noodle; and (2) higher packaging costs from container noodle to meet the government's environmental regulations.

Beverage Business

The Group's Green Tea and Ice Tea are the leading brand in the PRC ready-to-drink (RTD) tea market and beverage segment now is the second core business for the Group. Through the modification of product mix and marketing strategy, the Group strengthened the sales resource for "Mr.Kon" juice series to increase the sales for juice product. According to the successful launch for "Wei Chuan Daily C" 100% juice in Shanghai, the Group launched an unrefrigerated, diluted juice series "Fresh Daily C" and gained the great appreciation of consumers. Thanks for the Group's distribution network, "Fresh Daily C" became one of the popular brand in the fast going juice market. During the period, turnover for beverage segment surged by 86.25% to US\$187 million as compared to the same period last year and amounted to 35% of the Group's turnover. Again, beverage sales reached a new record. The Group also launched family size tea drinks and juice to serve restaurant and family. Given Wei Chuan's know-how, the Group launched a live lactobacillus drink "Jian Bai Fen" in June in great Shanghai area. "Jain Bai Fen" will further strengthen the Group's platform in the PRC refrigerated drinks market.

During the period, the gross margin for beverage business was 46.36%, a jump of 5.45pp as compared to the same period last year. This was mainly due to the high utilization rate for PET production line and increase in the proportion of high gross margin PET drinks.

Bakery Business

Turnover for bakery business increased by 3.39% to US\$40.823 million as compared to the same period last year and amounted to 8% of Group's turnover. The growth was mainly due to the sales increase from "Muffin" in which performance was better than the Group's expectation. As rice cracker was affected by the competition of low prices, the turnover decreased. To improve the operation of bakery business, the Group adjusted product structure, package and favour and promotion method. The Group also linked with one of the famous Taiwan food company - Hunya Foods Co., Ltd. and some international food companies as our strategic partners. Those famous food companies will help to increase the number of the categories in the Group's bakery product. The Group believes that this arrangement will improve the sales of bakery business in the second half of this year. The growth in export market for the bakery product was stable.

During the period, the gross margin for bakery products was 30.52%, fell by 2.48pp as compared to the same period last year mainly because of the lower utilization rate for production line and lower margin for export product.

Financing

Expansion of production facilities significantly strengthened the competitiveness of the Group. In June, the Group raised US\$90 million by the issue of convertible bonds which were listed on Luxembourg Stock Exchange. The proceeds were mainly used for the expansion in production capacity of the Group's existing and new production facilities for beverage business.

The remaining principal amount of the Group's 1997 convertible bonds was due on 17th July 2002. The Group has remitted an amount of US\$128.541 million, representing the total amount required to redeem the bonds together with accrued interest on the maturity date to trustee. The trustee paid such funds to the bondholders on the maturity date in accordance with the conditions. Up to the maturity date, none of the bondholders converted the bonds to the Group's shares and there was no change in the number of the Group's existing shares.

As of 30th June 2002, the Group's total liabilities amounted to US\$830 million, representing an increase of US\$250 million from US\$580 million as at 31st December 2001. Total assets amounted to US\$1,384 million. The leverage ratio (total liabilities to total assets) increased by 9.25pp to 59.97% as compared to 31st December 2001. Since most of the Group's transactions were by cash on delivery, the Group has healthy positive cash flow. As of 30th June 2002, the Group had US\$354 million cash on hand, including the remittance of US\$128.541 million to the trustee of the bond. The Group increased long-term and short-term loans by US\$135.266 million to US\$523.926 million as compared to 31st December 2001.

Financial Ratio

As at  
30th June 2002

As at  
31st December 2001

