



INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2005

SUMMARY

The continuous growth in the PRC economy and general household income have help to boost the retail market in the first half which has increased by 13.2% as compared to the same period last year. Benefiting from continuing growth in domestic demand, the Group also enjoy a stable increase in sales. The continuous blooming financial results in the second quarter were attributable to the Group's firm control in its overall operation although the price of main raw materials for production maintained at a high level during the period.

Highlights of the Group's interim results for the six months ended 30th June 2005:

	2005 (Unaudited)	2004 (Unaudited)	Change
● Turnover	US\$846.651 million	US\$711.604 million	+18.98%
● Group's gross margin	31.56%	27.66%	+3.9pp.
● Profit attributable to equity holders of the parent	US\$56.310 million	US\$266.029 million	-78.83%
● Profit(loss) attributable to equity holders of the parent before the inclusion of the exceptional income arising from disposal of partial interests in subsidiaries	US\$56.310 million	(US\$6.926 million)	+US\$63.236 million
● Earnings per share	US1.01 cents	US4.76 cents	-US3.75 cents
● Earnings(loss) per share before the inclusion of the exceptional income arising from disposal of partial interests in subsidiaries	US1.01 cents	(US0.12 cents)	+US1.13 cents

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 2005 together with the unaudited comparative figures for the corresponding period in 2004. 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 2005

		2005 (Unaudited) <i>US\$'000</i>	2004 (Unaudited) <i>US\$'000</i>
	<i>Note</i>		
Turnover	2	846,651	711,604
Cost of sales		<u>(579,447)</u>	<u>(514,752)</u>
Gross profit		267,204	196,852
Other revenue		1,491	1,264
Other net income		9,361	278,081
Distribution costs		(151,510)	(156,629)
Administrative expenses		(24,605)	(19,446)
Other operating expenses		(13,335)	(22,283)
Finance costs	3	(5,268)	(9,616)
Share of profit of associates		<u>4,189</u>	<u>1,845</u>
Profit before taxation	4	87,527	270,068
Taxation	5	<u>(8,035)</u>	<u>(2,197)</u>
Profit for the period		<u><u>79,492</u></u>	<u><u>267,871</u></u>
Attributable to			
Equity holders of the parent		56,310	266,029
Minority interests		<u>23,182</u>	<u>1,842</u>
		<u><u>79,492</u></u>	<u><u>267,871</u></u>
Earnings per share	6		
Basic		<u>1.01 cents</u>	<u>4.76 cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

Condensed Consolidated Balance Sheet

As at 30th June 2005

		As at 30th June 2005 (Unaudited) US\$'000	As at 31st December 2004 (Audited) US\$'000
	Note		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		913,690	879,964
Prepayments for operating lease		51,930	52,581
Interest in associates		49,354	53,154
Interest in a joint venture		7,416	30,058
Other non-current financial assets		3,113	3,109
Deferred tax assets		6,197	6,197
		<u>1,031,700</u>	<u>1,025,063</u>
Current assets			
Current financial assets		38,252	16,466
Inventories		98,641	96,590
Trade receivables	8	83,255	71,499
Prepayments and other receivables		81,522	65,025
Pledged bank deposits		7,984	1,394
Bank balances and cash		166,040	126,152
		<u>475,694</u>	<u>377,126</u>
Current liabilities			
Trade payables	9	217,567	188,398
Other payables		173,439	96,275
Current portion of interest-bearing borrowings		119,348	186,606
Advance payments from customers		16,022	7,372
Taxation		3,979	2,575
		<u>530,355</u>	<u>481,226</u>
Net current liabilities		<u>(54,661)</u>	<u>(104,100)</u>
Total assets less current liabilities		<u>977,039</u>	<u>920,963</u>
Non-current liabilities			
Long-term interest-bearing borrowings		54,000	13,581
Other non-current payables		10,919	10,913
Employee benefit obligations		5,335	4,887
Deferred tax liabilities		6,176	6,176
		<u>76,430</u>	<u>35,557</u>
NET ASSETS		<u>900,609</u>	<u>885,406</u>
CAPITAL AND RESERVES			
Equity attributable to equity holders of the parent			
Issued capital		27,943	27,943
Reserves		762,521	706,788
Proposed final dividend		—	63,712
		<u>790,464</u>	<u>798,443</u>
Minority interests		<u>110,145</u>	<u>86,963</u>
		<u>900,609</u>	<u>885,406</u>

Notes:

1. Basis of preparation

Basis of preparation and accounting policies

The Directors are responsible for the preparation of the Group's unaudited interim financial statements. These unaudited interim financial statements have been prepared in accordance with Hong Kong Accounting Standard No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. These condensed interim financial statements should be read in conjunction with the 2004 annual financial statements.

Adoption of the New Hong Kong Financial Reporting Standards

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("HKASs"), herein collectively referred to as the new HKFRSs, which are effective for accounting periods beginning on or after 1st January 2005. The Group adopted the new HKFRSs on 1st January 2005 and the above financial data included the impact upon adoption of these new HKFRSs. The adoption of the new HKFRSs has no material impact on the results of the Group apart from certain change in the accounting presentation.

2. Turnover and segment result by major products

The Group operates mainly in The People's Republic of China (the "PRC"). Turnover and contribution to the Group's profit are mainly from the PRC.

An analysis of the Group's turnover and segment result by major products is set out below:

	Turnover		Segment result	
	For the six months		For the six months	
	ended 30th June		ended 30th June	
	2005	2004	2005	2004
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US\$'000	US\$'000	US\$'000	US\$'000
Instant noodles	440,933	399,241	38,836	2,469
Beverages	332,813	252,970*	48,152	15,656*
Bakery	42,813	38,386	573	(13,335)
Others	30,092	21,007*	1,876	(261)*
Total	<u>846,651</u>	<u>711,604</u>	<u>89,437</u>	<u>4,529</u>

* The comparative information of turnover and segment result has been restated and reclassified to conform to current period's presentation.

3. Finance Costs

	For the six months	
	ended 30th June	
	2005	2004
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Interest expenses:		
Bank and other loans wholly repayable within five years	<u>5,268</u>	<u>9,616</u>

4. Profit before taxation

	For the six months ended 30th June	
	2005	2004
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Profit before taxation is stated after charging (crediting) the following:		
Depreciation	45,680	43,406
Gain on disposal of partial interest in subsidiaries	—	(272,955)
Gain on disposal of partial interest in an associate	—	(2,528)
Impairment loss for property, plant and equipment	—	10,000
	<u>45,680</u>	<u>(264,477)</u>

5. Taxation

	For the six months ended 30th June	
	2005	2004
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
PRC enterprise income tax	<u>8,035</u>	<u>2,197</u>

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, commencing from the first profitable year after offsetting all unexpired tax losses carried forward from the previous years.

6. Earnings per Share

The calculation of basic earnings per share is based on the net profit attributable to equity holders of the parent for the period of US\$56.310 million (2004: US\$266.029 million) and on the weighted average of 5,588,705,360 (2004: 5,588,705,360) ordinary shares in issue during the period.

The Company has repaid the Group's Convertible Bonds which due in June 2005. No comparative figure for diluted earnings per share is presented as the conversion price of the Company's convertible bonds were higher than the market price of the Company's shares in the same period last year.

7. Dividend

The Board of Directors resolves that no dividend be paid for the six months ended 30th June 2005 (2004: nil).

8. Trade Receivables

The majority of the Group's sales is cash-on-delivery. The remaining balances of sales are at credit terms ranging from 30 to 90 days. The ageing analysis of the trade receivables as at the balance sheet date is as follows:

	As at 30th June 2005 (Unaudited) US\$'000	As at 31st December 2004 (Audited) US\$'000
0 - 90 days	72,968	60,717
Over 90 days	<u>10,287</u>	<u>10,782</u>
	<u>83,255</u>	<u>71,499</u>

9. Trade Payables

The ageing analysis of trade payables as at the balance sheet date is as follows:

	As at 30th June 2005 (Unaudited) US\$'000	As at 31st December 2004 (Audited) US\$'000
0 - 90 days	197,853	173,107
Over 90 days	<u>19,714</u>	<u>15,291</u>
	<u>217,567</u>	<u>188,398</u>

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2005, the Group's turnover was US\$846.651 million, an increase of 18.98% over same period last year. The growth rates for turnover of instant noodle, beverage and bakery were 10.44%, 31.56% and 11.53% respectively.

During the period, the Group's gross margin increased by 3.9pp. to 31.56% although the prices for the Group's core materials stood at high level. The growth was mainly because of the improvement in product mix and cost control. The refining in the operation help to cut 3.27% of the distribution expense to US\$151.510 million. Due to the effective use of the cash from the shares transfer to repay most of the loans, the Group's finance cost sharply decreased by 45.22% to US\$5.268 million. A capital gain of US\$272.955 million in the first half of last year was from the disposal of partial interests in subsidiaries. The profit attributable to equity holders of the parent for the period was US\$56.310 million, representing earnings per share of US\$1.01 cents. Profit sharply increased by US\$63.236 million when compared to the loss of US\$6.926 million attributable to equity holders of the parent before the inclusion of the exceptional income arising from disposal of partial interests in subsidiaries in last year.

Instant Noodle Business

In the first half of year 2005, turnover for instant noodle business amounted to US\$440.933 million, grew by 10.44% from the same period last year and representing 52.08% of the Group's total turnover. The successful sales were mainly attributable to continuing brand investment under the current solid base of "Better Access, Broader Reach". Also, leveraging on the strategy of overall improvement on the sense of value for high-end instant noodle products and effective communication with media, the Group put all its effort to build "Master Kong" as a high-value brand name and achieved a significant growth in all kinds of container noodles. The appropriate adoption of the strategy in skilful development of local products also led to the widespread acceptance by consumers of these local products. In addition, leveraging on deep plowing in villages and increased consumers' demands on instant noodles in rural areas, the Group's low-end price instant noodles' production factories, which were built in Huai'an, Nanyang, Tangshan and Longrao, etc., in the second quarter, have been put into production continually. The increase in production capacity will strengthen the Group's sales in low-end price products and further shorten the distance between the Group and rural consumers. At the same time, the operation cost of low-end price instant noodles can be controlled effectively to enhance the Group's competitive ability in such market. During the period, by the extended flavor and package, "The Best of Asian Series" introduced bucket noodle and packet noodle. "Mixed Noodle Series" which is the best choice in summer also launched various new flavors. According to AC Nielsen, for the period of April to May 2005, by sales value, the Group's market share was 38.73% in the PRC instant noodle market and is No.1 in the market.

During the period, the gross margin of the Group's instant noodle increased by 5.93pp. to 23.49%. Despite the continuous high price for core material flour, the gross margin was improved because of the continuous increase in sales portion of high margin container noodles and high-end packet noodles, price cutting on palm oil, moderate increase in price of products and refining production process. Profit attributable to equity holders of the parent was US\$32.837 million, same period last year recorded loss at US\$0.893 million. Profit growth was mainly because of the adjustment on products mix and effective cost control.

Beverage Business

For the first half of year 2005, turnover for beverage business amounted to US\$332.813 million, grew by 31.56% from the same period last year and representing 39.30% of the Group's total turnover. In order to suit for the coming peak season, Master Kong's tea drinks have successfully launched new products such as Jasmine Tea and Ice Shock Tea in April 2005. The sales of Master Kong's tea drinks were improved and the leading position was further consolidated through the strategies of extended flavors and product differentiation. During the period, for diluted juice series, the Group also introduced several new flavors of Daily C with Pulp Orange Juice, Pulp Grapefruit Juice and Guava Juice. As a result, the demand was stimulated successfully and the sales increased. Through the improvement on production efficiency and raw material and transportation cost management, all Master Kong Mineralized Water production lines operated at full capacity and captured the market share successfully. All these efforts made beverage business achieved a new record in turnover. According to AC Nielsen, for the period of April to May 2005, Master Kong's Ready-To-

Drink Tea gained 44.4% market share and still kept No.1 position in the market. Leveraging on the leading competitive position that was attributable to the extended brand, flavor and package, Master Kong's juice drink series gained 17.9% market share in the diluted juice market.

In spite of the fact that the price of PET plastic resin and sugar continued to stand at a high level, the gross margin of beverage business for the first half of year 2005 only had a slight decrease by 0.7pp. and maintained at a high level of 40.47% due to the Group's highly efficient production facilities and fast growth in sales. Profit attributable to equity holders of the parent was US\$20.771 million, increased by 87.6% mainly because of the effective cost control and the growth on sales.

Bakery Business

Due to the successful strategies of continuously emphasizing on brand management and product differentiation, bakery business turnover amounted to US\$42.813 million for the first half of year 2005, increased by 11.53% from the same period last year and representing 5.06% of the Group's total turnover.

The gross margin for the first half in 2005 increased to 37.29% as compared to 31.64% for the same period last year. The increase was mainly attributable to successful introduction of a new high-margin product "Savory Biscuit" and effective control on purchase cost. During the period, bakery business realized a net profit. Net profit attributable to equity holders of the parent was US\$0.531 million, last year's loss was US\$13.662 million. According to AC Nielsen, for the period of April to May 2005, "Master Kong"'s sandwich crackers had a 26.8% market share and gained leader position in the PRC market. In the third quarter, the Group will continue to strengthen brand investment and modern distribution network operation. A new production line of thin cracker will be put into operation in September and gross margin and market share are expected to improve respectively.

FINANCING

As of 30th June 2005, the Group's total liabilities amounted to US\$607 million, representing an increase of US\$90.002 million from US\$517 million as at 31st December 2004. Total assets amounted to US\$1,507 million. The leverage ratio calculated as total liabilities to total assets increased by 3.4pp. to 40.25% as compared to 31st December 2004. The increase was mainly because of the increase in other payables by US\$77.164 million and the increase in trade payables by US\$29.169 million. The Group's long-term and short-term loans decreased by US\$26.839 million as compared to 31st December 2004. The Group's loans are mainly denominated in US dollars and the portion for US dollars and Renminbi in the Group's total borrowing was 86% and 14% respectively. In addition, the Group's transactions are mainly denominated in Renminbi, revaluation in the Renminbi may bring positive impact to the Group. There is no significant impact of exchange fluctuations because the exchange rate between Renminbi and US dollar remained relatively stable during the period. As of 30th June 2005, the Group had no contingent liability and cash on hand amounted to US\$174 million.

Financial Ratio

	As at 30th June 2005	As at 31st December 2004
Finished goods turnover	10.28 Days	10.73 Days
Accounts receivable turnover	16.54 Days	16.62 Days
Current ratio	0.90 Times	0.78 Times
Debt ratio (Total liabilities to total assets)	40.25%	36.86%
Gearing ratio (Net debt to equity attributable to equity holders of the parent)	0.0 Times	0.1 Times

The Group's 2002 Convertible Bonds have been due in June 2005. The Group repaid the remaining principal amount of US\$90 million plus a redemption premium of US\$9.932 million from operating cash flows and cash from the shares transfer in last year. The total repayment amount was US\$99.932 million.

HUMAN RESOURCES

As of 30th June 2005, the Group employed 25,144 staff (31st December 2004: 25,003). The Group provides a competitive salary packages, insurance and medical benefit and professional training courses to employees. The Group believes that the good management system for human resources will enhance employee's contribution to the Group.

PROSPECTS

The growth for the PRC consumers' income and the new concept for consumption will expand the development for the instant food market. The Group has therefore arranged the product extension such as the establishment of a joint venture company in Tianjin with Japanese Kameda Seika Co., Ltd. ("Kameda") on 4th July this year. With Kameda's professional support, the Group may produce different kinds of rice product by fully utilising the Group's production facilities for rice crackers. The Group also established another joint venture company in Hangzhou with Japanese Kagome Co., Ltd. and Itochu Corporation on 11th July this year to produce vegetable juice, mixed vegetable and fruit juice and vegetable and lactic beverage. Through this co-operation, the Group is expected to further diversify its business into the production and distribution of beverages.

In third quarter, because of the continuous high price of the Group's core raw materials, the Group's gross margin will be squeezed and the Group's production cost will continue to be affected in the second half. Facing the pressure from market competition and the increasing production cost, the Group will continue to make use of the Group's advantages and to refine its overall operation. Under the "Profit Priority" policy, the Group will expand its total sales and further strengthen the leading position of each product in the PRC market.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

The Company is committed to maintaining high standards of corporate governance. Throughout the six months ended 30th June 2005, the Company has complied with the code provisions of 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.

The Company is considering the adoption of appropriate measures to ensure that the Company’s corporate governance practices are no less stringent than those in the Code.

Audit Committee

In compliance with the requirement under Rule 14 of the Code of Best Practice setting out in Appendix 14 of the Listing Rules effective before 1st January 2005, the Company has established the Audit Committee in September 1999 and currently has three Independent Non-executive Directors, Mr. Hsu Shin-Chun, Mr. Lee Tiong-Hock and Mr. Tomoyuki Nakayama. On 24th June 2005, the Board of the Company appointed Mr. Tomoyuki Nakayama as an Independent Non-executive Director and a member of the Audit Committee. The latest meeting of the Committee was held to review the results of the Group for the period.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee was established on 11th August 2005. This Committee now comprises three Independent Non-executive Directors, Mr. Hsu Shin-Chun, Mr. Lee Tiong-Hock and Mr. Tomoyuki Nakayama.

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 planning for Directors.

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 AND CONVERTIBLE BONDS

There were no purchases, sales or redemptions of the Company’s shares by the Company or any of its subsidiaries during the period. The Group’s 2002 Convertible Bonds have been due in June 2005 and the Group has repaid the remaining principal amount of US\$90 million.

CAUTION STATEMENT

The Board wishes to remind investors that the financial statements and the financial outlines for the first six months ended 30th June 2005 are based on the Group’s internal records and management accounts. The financial statements for the first six months ended 30th June 2005 have not been reviewed or audited by the auditors. The financial statements for the first six months ended 30th June 2004 are extracted from the unaudited financial statements already disclosed by the Group and have been restated, and the financial statements for the year ended 31st December 2004 are extracted from the audited financial statements as contained in the 2004 Annual Report and have been restated. **Investors are cautioned not to unduly rely on financial data, statistics and comparison for the first six months ended 30th June 2005. In the meantime, investors are advised to exercise caution in dealing in the shares of the Company.**

BOARD OF DIRECTORS

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

By Order of the Board
Wei Ing-Chou
Chairman

Tianjin, PRC, 24th August 2005

Website: <http://www.masterkong.com.cn>

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

* *For identification purposes only*