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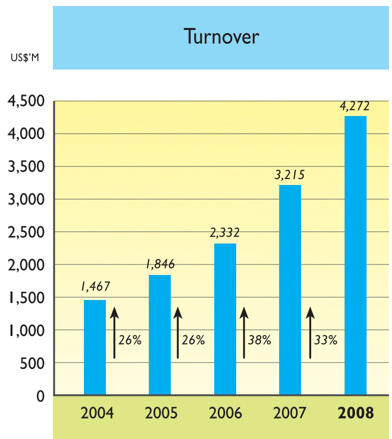
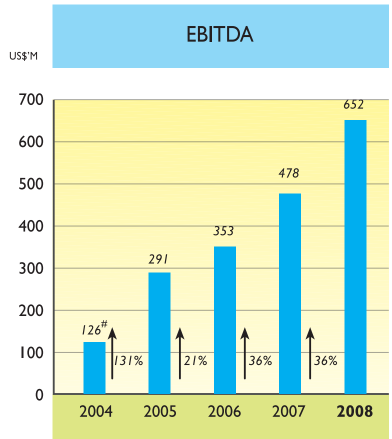
Four Consecutive Years of Double Digit Growth in Turnover and EBITDA





Excluding capital gain from disposal of partial interests in subsidiaries

康師傅控股有限公司*

TINGYI (CAYMAN ISLANDS) HOLDING CORP.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0322)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

US$ million	**2008**	**2007**		**Change**
• Turnover	**4,272.053**	3,215.404	↑	32.86%
• Group gross margin (%)	**32.18**	31.58	↑	0.60 ppt.
• Profit for the year	**362.036**	280.948	↑	28.86%
• Profit attributable to equity holders of the Company	**260.404**	194.837	↑	33.65%
• Earnings per share (US cents)	**4.66**	3.49	↑	1.17 US cents
• Net cash from operating activities	**602.992**	486.985	↑	23.82%
• Final dividend per ordinary share (US cents)	**2.33**	1.62	↑	0.71 US cents

INTRODUCTION

In 2008, due to the growing impact of the sub-prime mortgage crisis on the global economy and the severe natural disasters in China, the economic and social development of China faced rigorous tests in various aspects. In order to maintain the momentum of the steady and relatively rapid growth of the national economy, the Chinese government maintained its policy of stimulating domestic demand and launched a RMB4 trillion economic stimulus plan. For the fast-moving consumer goods industry, 2009 will be a year in which challenges outnumber opportunities and survival outweighs development. However, according to the estimation of relevant authorities of the State, China's GDP will continue to grow at 8% in 2009 and the fast-moving consumer goods industry is unlikely to enter into recession.

Despite the adverse impact brought by the deteriorating global economic environment and China's economy moving from inflation to deflation, Master Kong managed to stabilize its profitability during the economic slowdown, due mainly to the principal products of Master Kong, i.e. instant noodles and beverage, are necessities of daily life with relatively low price elasticity. As a result, the Group still maintains a strong growth momentum. In 2008, Master Kong's instant noodles and ready-to-drink ("RTD") tea products maintained their leading market positions, a higher growth was recorded in the bakery business segment following the profitable previous year, and the disposal of the refrigeration segment will aslo help the Group to optimize resource deployment and accelerate the development of its core business.

2008 was a year with both opportunities and challenges for us. On one hand, prices of staple raw materials, such as palm oil and PET resin, have fallen substantially from their high level which provided more room for profits for the Group. On the other hand, we faced the pressure of intense market competition. Nevertheless, with the efforts of all our staff, the Group met the goals set at the beginning of the year and achieved a record high in turnover and profit. The Group's total turnover reached a new high of US$4,272.053 million in 2008, representing a year-on-year increase of 32.86%. Profit attributable to shareholders rose by 33.65% year-on-year to US$260.404 million, and the earnings per share was US$4.66 cents.

DIVIDENDS

Owing to the Group's 2008 excellent results and considering the overall operation, capital expenditures and working capital requirements and cash flow of the Group, I recommended to the Board in recognition of our shareholders' support, an increase in the final dividend this year. The Board will recommend at the Annual General Meeting to be held on 8 June 2009 the payment of a final dividend of US2.33 cents per share (an increase of US0.71 cents per share when compared to final dividend per share in 2007 of US1.62 cents) to shareholders whose names appear on the register of members on 8 June 2009 (shareholders who bought the Company's shares on or before 1 June 2009 should ensure that transfers are lodged with the Company's Registrar in Hong Kong for registration no later than 4:30 p.m. on 3 June 2009). Total amount of final dividend for the year 2008 will be US$130.172 million, an increase of US$39.635 million when compared to 2007 of US$90.537 million).

Given the development opportunities in the PRC market, the Board proposes a future dividend distribution policy of not less than 50% of annual profits assuming there are no adverse changes to the business environment.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 4 June 2009 to Monday, 8 June 2009, both dates inclusive, during which period no transfer of shares will be effected for the purpose of determining a shareholders' list for the Annual General Meeting and the payment of the proposed final dividend.

INDUSTRY PLANNING

Despite the slowing down of China's rapid economic growth, there are still ample opportunities in the food and beverage market but with increasingly more intense competition. In view of the growing pressure of deflation on consumers' consumption structure and the continuous development of rural markets and in light of the current macroeconomic environment, the Group will manage its product mix in a timely and suitable manner to facilitate the comprehensive development of its high-end, medium-end and low-end products. We will also continue to implement the strategy of "Better Access, Broader Reach" to increase the market share of Master Kong products.

In line with Master Kong's long-term development planning, the Group will continue to adhere to its product focus strategy to realize the professionalized and scale development of its instant noodles, beverage and bakery businesses. Meanwhile, we will be opened to any potential opportunities in domestic and overseas food and beverage markets and to enrich the Group's products in the highly competitive market offerings to meet further demands of clients, so as to better equip the Group in consolidating Master Kong's leading position in the food and beverage industry and maximize shareholders' return while developing toward the goal of becoming the "largest Chinese instant food and beverage group in the world".

PRODUCT/BRAND POSITIONS

The position of a company's brand in the mind of customers determines its competitiveness in the market. Nowadays, business competition actually starts in the inner minds of customers. It is well known that Master Kong, as a leading player in China's food industry, has been endeavouring to gain consumers' awareness and recognition with a goal of merging delicacies from all parts of China into one that will make Master Kong a kingdom of food that represents the culture of Chinese delicacies. According to the December 2008 report published by ACNielsen, based on sales, the Group holds the leading position in the market, had market shares of 50.8% and 44.3% for instant noodle and RTD tea respectively, and the market shares of its bottled water and sandwich cracker were 17.7% and 25.5%, ranking them second in the market.

In September 2008, "Master Kong" was named one of the 50 best listed companies in Asia by Forbes. In November, Tingyi was selected as one of BNP Paribas's "Survivors & Thrivers" top picks in Asia. The report identifies the companies best positioned to not just survive crisis, but to emerge from the crisis much stronger than their competitors. In December, globally of analysts from Morgan Stanley named Tingyi as one of the "50 for 2012" highest quality companies in their sectors with business models and market positions that they would like to continue to hold to 2012. Master Kong also ranked in the top half of the top 10 international brands in Taiwan for six consecutive years. The survey was organised by Taiwan Economics Department in association with InterBrand from UK and the brand of Master Kong was valued at US$793 million. In addition, Master Kong was named the Most Valuable Brand in the Internet Celebration Evening Party held by Sina. These recognitions mean a lot in the changing 2008 and will lay a solid foundation for our future development and strengthen our confidence in overcoming difficulties.

QUALITY ASSURANCE

In 2008, under its existing quality assurance system, the Group continued actively in the credit rating for food safety and purchase more advanced testing and inspection equipments to improve the testing and inspection of raw materials and eliminate potential food safety hazards at source. We believe in, Master Kong constantly acting in good faith and bearing its social responsibilities and striving to enable more consumers to enjoy safe, tasty and convenient food.

SOCIAL CONTRIBUTION

Corporate social responsibility is an unavoidable mission in the globalisation process of an enterprise and is the generally accepted international ideal. While making profit and bearing responsibilities for shareholders' interests, we also proactively assumed responsibilities for our consumers, staff, community and the environment. Following the Wenchuan earthquake which shocked the world in 2008, the Group not only donated immediately cash, drinking water and food etc. of RMB10 million to the stricken area, but also contributed RMB20 million to the subsequent rebuilding of two worst damaged primary schools in Dujiangyan so that in the shortest possible time giving back a solid, useful, advanced and beautiful school to the children in the stricken area.

In view of the lack of water resources and the pollution in China and other parts of the globe, the Group took the lead in bearing the responsibilities as a corporate citizen in China. We organised the "Water Innovative Public Welfare Plan Competition" to encourage college students and public welfare organisations to propose innovative improvement plans on social development and hopefully to find plausible practical solutions to help solve China's water resource crisis.

Furthermore, we continued to participate in campaigns such as the "Project Hope" to help underprivileged children and take active part in publicity and promotion in respect of environmental protection. A strong sense of social responsibility brought us closer to consumers. As a reflection of consumers' recognition of us, we were selected as one of the most caring foreign enterprises. On 28 December 2008, the Group was granted the award "Serving agriculture, rural areas and farmers · Best Companies with Social Responsibility" by the internet centre of People's Daily.

RESULTS

The Board of Directors of Tingyi (Cayman Islands) Holding Corp. (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 are as follows:

CONSOLIDATED INCOME STATEMENT

	Note	**2008**	2007
		US$'000	*US$'000*
Turnover and revenue	4	**4,272,053**	3,215,404
Cost of sales		**(2,897,449)**	(2,199,863)
Gross profit		**1,374,604**	1,015,541
Other net income		**82,427**	51,340
Distribution costs		**(826,651)**	(614,930)
Administrative expenses		**(86,398)**	(73,200)
Other operating expenses		**(68,405)**	(50,168)
Finance costs		**(31,168)**	(19,418)
Share of results of associates		**7,812**	8,074
Profit before taxation	6	**452,221**	317,239
Taxation	7	**(90,185)**	(36,291)
Profit for the year		**362,036**	280,948
Attributable to:			
Equity holders of the Company		**260,404**	194,837
Minority interests		**101,632**	86,111
Profit for the year		**362,036**	280,948
Dividends	8	**130,172**	150,336
Earnings per share	9		
Basic		**US4.66 cents**	US3.49 cents
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

	Note	2008 US$'000	2007 US$'000
Non-current assets			
Property, plant and equipment		**1,974,445**	1,567,348
Intangible assets		**9,733**	11,701
Interests in associates		**68,095**	33,929
Prepaid lease payments		**81,308**	65,594
Available-for-sale financial assets		**3,760**	3,724
Deferred tax assets		**5,379**	5,379
		2,142,720	1,687,675
Current assets			
Financial assets at fair value through profit or loss		**550**	21,439
Inventories		**194,904**	155,217
Trade receivables	10	**129,944**	114,391
Prepayments and other receivables		**108,434**	112,807
Pledged bank deposits		**4,889**	3,030
Bank balances and cash		**380,075**	239,862
		818,796	646,746
Current liabilities			
Trade payables	11	**403,925**	334,041
Other payables		**352,475**	248,979
Current portion of interest-bearing borrowings		**431,229**	291,481
Advance payments from customers		**36,483**	43,045
Taxation		**11,571**	7,122
		1,235,683	924,668
Net current liabilities		**(416,887)**	(277,922)
Total assets less current liabilities		**1,725,833**	1,409,753

	Note	2008 US$'000	2007 US$'000
Non-current liabilities			
Long-term interest-bearing borrowings		**135,852**	106,946
Other non-current payables		**2,295**	2,861
Employee benefit obligations		**9,200**	7,893
Deferred tax liabilities		**39,848**	10,358
		187,195	128,058
NET ASSETS		**1,538,638**	1,281,695
Capital and reserves			
Issued capital		**27,934**	27,943
Reserves		**1,049,097**	849,382
Proposed special dividend		**—**	59,799
Proposed final dividend		**130,172**	90,537
Equity attributable to equity holders of the Company		**1,207,203**	1,027,661
Minority interests		**331,435**	254,034
TOTAL EQUITY		**1,538,638**	1,281,695

Notes:

1. Basis of preparation

The measurement basis used in the preparation of these financial statements is historical cost, except for financial assets at fair value through profit or loss, which have been measured at fair value.

2. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December each year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All inter-company transactions and balances within the Group are eliminated on consolidation. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests are that portion of profit or loss and net assets of subsidiaries attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Company.

3. Adpotion of new/revised HKFRS

Amendments to HKAS 39 and HKFRS 7: Reclassifications of financial assets

The amendments allow non-derivative held-for-trading financial assets and financial assets that are not designated as fair value through profit or loss upon initial recognition to be reclassified as available-for-sale or held-to-maturity category in rare circumstances, and as loans and receivables when certain conditions are met. The amendments also allow available-for-sale financial assets to be reclassified as loans and receivables subject to meeting certain conditions. Fair value at the date of reclassification becomes the new cost or amortised cost for the reclassified financial assets. Since the Group had no financial instruments that are dealt with by the amendments, the amendments have had no impact on the financial statements.

HK(IFRIC) - Int 11: HKFRS 2 - Group and treasury share transactions

The interpretation clarifies whether share-based payment transactions involving treasury shares or involving group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the financial statements of the group entity that receives the services. Since the Group had no share-based payment transactions that are dealt with by the interpretation, the interpretation had no impact on the financial statements.

HK(IFRIC) - Int 12: Service concession arrangements

The interpretation, applicable for service concession operators, addresses how the rights granted and obligations undertaken in service concession arrangements should be accounted for. Since the Group has not involved in service concession arrangements, the interpretation is not relevant to the Group's and the Company's operations.

3. Adpotion of new/revised HKFRS (continued)

HK(IFRIC) - Int 14: HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction

The interpretation provides guidance on measuring the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how a statutory or contractual minimum funding requirement might affect the measurement of the defined benefit asset or liability. The adoption of the interpretation had no impact on the financial statements.

4. Turnover and revenue

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

5. Segment information

The Group is organised along four major business segments:

Instant noodles
Beverages
Bakery
Other businesses

The Group operates mainly in the PRC. Revenue and contribution to the Group's profit are mainly from the PRC. No geographical analysis is presented as less than 10% of the Group's turnover and revenue and the consolidated trading results of the Group are attributable to markets outside the PRC and less than 10% of the Group's total assets are outside the PRC.

5. **Segment information (continued)**

Business segment analysis

	2008					
	Instant noodles *US$'000*	**Beverages** *US$'000*	**Bakery** *US$'000*	**Others** *US$'000*	**Inter-segment elimination** *US$'000*	**Group** *US$'000*
Turnover and revenue						
Revenue from external customers	2,084,830	1,924,119	149,922	113,182	—	4,272,053
Inter-segment revenue	212	155	1,482	83,915	(85,764)	—
Segment turnover and revenue	2,085,042	1,924,274	151,404	197,097	(85,764)	4,272,053
Segment results	202,346	253,364	6,059	32,932	(19,124)	475,577
Finance costs	—	—	—	—	—	(31,168)
Share of results of associates				7,812		7,812
Profit before taxation						452,221
Taxation						(90,185)
Profit for the year						362,036
Profit atttributable to equity holders	151,876	99,316	5,901	3,311	—	260,404
Assets						
Segment assets	1,215,017	1,482,103	61,109	622,049	(492,236)	2,888,042
Interests in associates				68,095		68,095
Unallocated assets						5,379
Total assets						2,961,516
Liabilities						
Segment liabilities	458,789	801,633	40,226	276,336	(254,854)	1,322,130
Unallocated liabilities						100,748
Total liabilities						1,422,878
Other information						
Capital expenditure	162,956	332,007	8,742	18,679	—	522,384
Depreciation	56,383	110,596	6,793	7,894	—	181,666
Amortisation						
Prepaid lease payments	1,165	371	211	148	—	1,895
Intangible assets	1,968	—	—	—	—	1,968
Impairment loss on property, plant and equipment	14,856	886	—	—	—	15,742

5. Segment information (continued)

Business segment analysis (continued)

	2007					
	Instant noodles	**Beverages**	**Bakery**	**Others**	**Inter-segment elimination**	**Group**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Turnover and revenue						
Revenue from external customers	1,488,086	1,519,194	109,660	98,464	—	3,215,404
Inter-segment revenue	44	328	640	72,951	(73,963)	—
Segment turnover and revenue	1,488,130	1,519,522	110,300	171,415	(73,963)	3,215,404
Segment results	110,306	203,447	3,705	24,298	(13,173)	328,583
Finance costs	—	—	—	—	—	(19,418)
Share of results of associates	—	—	—	8,074	—	8,074
Profit before taxation						317,239
Taxation						(36,291)
Profit for the year						280,948
Profit atttributable to equity holders	94,167	89,152	4,221	7,297	—	194,837
Assets						
Segment assets	932,794	1,228,215	96,813	605,991	(568,699)	2,295,114
Interests in associates				33,929		33,929
Unallocated assets						5,378
Total assets						2,334,421
Liabilities						
Segment liabilities	344,110	683,023	34,023	216,152	(274,939)	1,002,369
Unallocated liabilities						50,357
Total liabilities						1,052,726
Other information						
Capital expenditure	68,745	317,880	2,123	13,246	—	401,994
Depreciation	55,629	76,707	7,903	7,535	—	147,774
Amortisation						
Prepaid lease payments	1,465	216	317	258	—	2,256
Intangible assets	1,670	—	—	—	—	1,670
Impairment loss on property, plant and equipment	705	2,536	—	—	—	3,241

6. Profit before taxation

Profit before taxation is stated after charging (crediting) the following:

	2008	2007
	US$'000	*US$'000*
Finance costs		
Interest on bank loans wholly repayable within five years	**31,168**	19,418
Other items		
Depreciation	**181,666**	147,774
Amortisation:		
Prepaid lease payments	**1,895**	2,256
Intangible assets (included in other operating expenses)	**1,968**	1,670
Gain on disposal of financial assets at fair value through profit or loss	**(1,707)**	(62)

7. Taxation

	2008	2007
	US$'000	*US$'000*
Current tax – PRC Enterprise Income Tax		
Current year	**60,695**	34,022
Deferred taxation		
Origination and reversal of temporary differences, net	**6,390**	2,269
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**23,100**	—
Total tax charge for the year	**90,185**	36,291

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

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

7. Taxation (continued)

Subsidiaries in the PRC which engage in manufacture and sale of instant noodles, beverages and bakery products are subject to tax laws applicable to foreign investment enterprises in the PRC. Most of the subsidiaries are located at economic development zones and were entitled to a preferential PRC Enterprise Income Tax ("EIT") rate of 15% before 31 December 2007. Also, they were fully exempt from PRC Enterprise Income Tax for two years starting from the first profit-making year followed by a 50% reduction for the next three years, commencing from the first profitable year after offsetting all unexpired tax losses carried forward from the previous years ("Tax Holidays"). For the PRC subsidiaries not entitled to a preferential PRC EIT, the applicable PRC EIT is at a statutory rate of 25% (2007: 33%).

According to the Tax Relief Notice (Cai Shui [2001] no. 202) on the Grand Development of Western Region jointly issued by the Ministry of Finance, the State Administration of Taxation and China Customs, foreign investment enterprises located in the western region of PRC with principal revenue of over 70% generated from the encouraged business activities are entitled to a preferential income tax rate of 15% for 10 years from 1 January 2001 to 31 December 2010. Accordingly, certain subsidiaries located in Western Region are entitled to a preferential rate of 15% (2007:15%).

Pursuant to the State Council Circular on the Implementation of the Transitional Concession Polices for Enterprise Income Tax (Guo Fa [2007] no. 39), enterprises previously entitled to a reduced tax rate shall have a grace period of five years regarding the tax reduction commencing on 1 January 2008; the subsidiaries which were entitled to a 15% EIT rate will be subjected to tax rates of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012 and thereafter. The subsidiaries that have been granted tax concessions under the tax preferential policies in the Grand Development of Western Region shall continue to enjoy the tax concessions until expiry.

7. Taxation (continued)

The taxation on the Group's profit before taxation differs from theoretical amount that would arise using the tax rates prevailing in the countries in which the subsidiaries operate as follows:

	2008	2007
	US$'000	*US$'000*
Profit before taxation	**452,221**	317,239
Income tax at domestic tax rates applicable to profits in the respective countries	**113,055**	47,586
Non-deductible expenses	**12,832**	7,653
Tax exempt revenue	**(3,929)**	(1,695)
Unrecognised tax losses	**3,663**	1,641
Utilisation of previously unrecognised tax losses	**(2,198)**	(1,874)
Tax Holidays	**(23,869)**	(18,120)
Lower tax rates for specific districts	**(34,126)**	—
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**23,100**	—
Under provision in prior years	**672**	773
Others	**985**	327
Tax expense for the year	**90,185**	36,291

The applicable tax rate was 25% (2007: 15%).

8. Dividends

Dividends attributable to the year:

	2008	2007
	US$'000	*US$'000*
Final dividend proposed after the balance sheet date of US2.33 cents (2007: US1.62 cents) per ordinary share	**130,172**	90,537
Special dividend proposed after the balance sheet date of US Nil cent (2007: US1.07 cents) per ordinary share	**—**	59,799
	130,172	150,336

At meeting held 21 April 2009, the directors recommended the payment of final dividend of US2.33 cents per ordinary share.

The proposed final dividends have not been recognised as dividend payables in the balance sheet, but will be reflected as an appropriation of retained profits for the year ending 31 December 2009.

9. Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of US$260,404,000 (2007: US$194,837,000) and the weighted average of 5,588,264,856 (2007: 5,588,705,360) ordinary shares in issue throughout the year.

The share options are not dilutive for the year ended 31 December 2008 and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share.

The Company has no dilutive potential ordinary shares for the year ended 31 December 2007.

10. Trade Receivables

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

	2008	2007
	US$'000	*US$'000*
0 - 90 days	**117,008**	105,115
Over 90 days	**12,936**	9,276
	129,944	114,391

11. Trade Payables

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

	2008	2007
	US$'000	*US$'000*
0 - 90 days	**371,817**	318,190
Over 90 days	**32,108**	15,851
	403,925	334,041

BUSINESS REVIEW

In 2008, in spite of the adverse impact brought by the deteriorating global economic environment that caused a shift in the domestic economic policies from controlling inflation to maintaining growth, the PRC still achieved a fast growth of 9% in its GDP, manifesting consecutive growths of exceeding 9% p.a. over the last five years. Sales amount of consumer goods surged even further by 21.6% compared with a year before.

In 2008, the Group's turnover was US$4,272.053 million, an increase of 32.86% over 2007. The growth rates for turnover of instant noodle, beverage and bakery were 40.10%, 26.65% and 36.72% respectively. In the fourth quarter, the Group's turnover was US$901.389 million, 25.59% higher than the same period last year. The increase was mainly from sales growth in instant noodle and beverage.

During the year, due to the prices for main raw materials have fallen from their high level and through flexible marketing strategy, effective production management and cost control the Group's gross margin increased 0.60 ppt. to 32.18%. Distribution cost is a key factor in strengthening the Group's brand as the leader in the PRC market. Through strategic increase in advertising and strengthening of sales network, the distribution costs as percentage of total sales was 19.35%, slightly increased 0.23 ppt, when compared to 2007's 19.12%. Other operating expenses increased US$18.237 million to US$68.405 million mainly due to the impairment loss of US$15.742 million recognised on the progressive replacement of older equipments. Finance costs increased by 60.51% to US$31.168 million mainly due to the increase in bank borrowings for capital expenditures and purchase of raw materials. During the year, the Group maintained a stable and healthy finance structure and a strong cash flow.

In 2008 earnings before interest, tax, depreciation and amortization (EBITDA) was US$651.612 million and the profit attributable to equity holders of the company was US$260.404 million which had increased by 36.23% and 33.65% respectively when compared to last year. Basic earnings per share was US4.66 cents.

Instant Noodles Business

Due to the effect of the economic recession and the food safety saga, together with the introduction of corresponding standards by the State, China's instant noodles market trend is moving towards high-end products. Instant noodles manufacturers in China have to adopt prudent operating strategies in order to maintain sustainable development. As a leading brand in the market, Master Kong is ideally positioned to capitalize on opportunities to launch products with innovative flavors on a sustained basis in the market and enhances its brand.

Master Kong's four classic instant noodles products, namely "Noodles with Braised Beef", "Noodles with Spicy Beef", "Noodles with Stewed Mushroom and Chicken" and "Noodles with Fresh Shrimp and Fish", are well received by customers all over the country. Other regional flavors also built up their popular delicious food brand images. In order to meet the demands of customers in different areas, Master Kong launched some new flavors for its existing product series, such as "Sauce Noodles", "Spicy Noodles" and "Noodles with Rare Delicacies ", and a number of new product series, such as "Gravy Noodles" and "Stir-fried Noodles". The Group's auxiliary brands, "Shimianbafan" continued its promotion under "The journey for Fried Noodle delicacy", and through marketing with box and bag packaging, further consolidated Master Kong's leading position in the mixed fried noodle market segment. New product Tian Xin Mian, stressing on product characteristics of rich contents, have appealed to the young group with its attractive appeal. "Mianba La Mian" has effectively satisfied consumers who crave for quality noodle. "Jin Shuang La Mian" and "Hao Zi Wei" have also made their foray in the medium/low-end market segments. Thus, through the careful planning of product introductions, our noodle business continued to flourish.

In the low price noodle market segment, we have made "Fumanduo" our primary brand. In respect of the medium priced "Super Fumanduo", Mater Kong continued its cooperation with "MayDay" (a music band) in launching bowl noodles and achieved fast and steady growth in this business segment. For "Gold Mark Fumanduo", we strived to make it a medium priced classic flavor brand. The RMB 1.0 "Fumanduo Yi Wan Xiang" and the "Fumanduo" built a strong foothold in the markets at various levels. "Fumanduo Fried Noodle" enriched its product offerings in the RMB 1.0 market to meet the demands of middle-and-low-end customers for mixed fried noodles. The launch for "Fu Xiang Cui" led to overall sales growth for snack noodle. Thus, the improved and refined product introductions have been effective in helping to develop the Group's low price market.

According to ACNielsen's latest survey on retails in December 2008, Master Kong's sales volume and turnover of instant noodles respectively have 37.9% and 50.8% of the market shares, of which noodles with high-end containers represented 68.2% of the market turnover and high-end packet noodles had 69.7% of the market turnover, steadfastly securing the leading position for more than 10 years.

The construction of higher efficiency manufacturing plants as well as the adoption of the TPM, 5S and WMS improvement tools have improved productivity effectively and increased production efficiency, thus alleviated some of the pressure on production costs from the rising raw material prices and labor cost.

The Group's instant noodle business continued to grow rapidly. With the strategy of good taste, good brand image and quality service, improved product quality, excellent product mix, extensive distribution channels, higher efficiency production plants, promoting activities such as "one project for one team" that fine tuned production, strengthening management capability and quality assurance checks, the Group has effectively coped with the challenging environment and grasped the opportunities to remain firmly the leader in the instant noodle market, and provided its customers with reassuring and reliable products.

In 2008, turnover for instant noodle business amounted to US$2,084.830 million, an increase of 40.10% from previous year and represented 48.80% of the Group's total turnover. Gross margin of instant noodle increased by 2.09 ppt. to 27.45% compared with last year, mainly due to (1) the sales value for high-end container noodles and high-end packet noodles have grown by 42.19%; and (2) the effective control of operating costs through enhancement of production efficiency. Profit attributable to equity holders of instant noodle business was US$151.876 million, an increase of 61.28% from last year.

Beverage Business

In 2008, the Group continued to market RTD tea, bottled water and fruit juice as its major competitive products. RTD tea series maintained its leading position in the tea beverage market and mainly promoted large packaged drinks to family households, with an aim to establish an image as a tea expert. The newly launched Honey Jasmine Tea continued to show its elegant charm and produced a good sales result. In 2009, there will be more sales opportunities for Jasmine Series.

The flagship product, Master Kong ice tea, maintained its dominant leading position by launching vigorous brand promotion campaigns to expand the ice tea market in the music and sports communities as well as the Internet.

The competition in the fruit juice market turned out to be even keener. In pursuit of trendy life style, nutrition and health are the main considerations of the young consumers. With this in mind, for “Daily C”, we chose celebrities with a healthy and stylish image as well as bright and optimistic characters in line with its diversified tastes to demonstrate the vivid experience brought by Master Kong juice. Together with product differentiation and an agile market strategy, we have successfully managed to satisfy the consumers’ cravings leading the beverage business surged to further new high.

In respect of Mineralized Water, we experienced an anonymous well planned internet ambush in 2008. There were extremely intense competition and growing operating pressure but however, as a “professional, healthy, safe, affordable and trustworthy” brand well received by consumers, Master Kong have the recognition and affection of consumers. For “Natural Mineral Water”, we tested the market in Northeast China in 2008 and in 2009, we will adjust the marketing strategy and aim to gain market share quickly.

The latest retail study by ACNielsen in December 2008 showed that the sales volume of Master Kong’s RTD tea products had a market share of 45.6%, which again took the leading position among its competitors. RTD tea products have become an important way to promote tea culture to young people. In 2009, in light of the economic environment, we will enlarge the size of package for RTD tea products with a view to providing consumers with more value so that consumers get good feelings from Green Tea. Bottled water shared 19.9% of the market and ranking it number one brand in the country. In respect of fruit juice, the duo brands – “Fresh Daily C” and “Master Kong” with their diversified product offerings built a broad market for Master Kong and commanded a market share of 19.2%, ranking it amongst the top three in the diluted fruit juice market.

In October, according to a survey of mainland consumers by Alix Partners, an international business advisory firm, Master Kong topped international famous brands as the most trusted non-alcoholic beverages brand. In March 2009, according to the China Industrial Information Issuing Center, Master Kong RTD Tea was ranked “No.1 in sales” in its product category in 2008.

In order to ensure product quality, the Group established an integrated system covering quality and safety assurance of raw materials, comprehensive quality assurance in production and assurance for customers' satisfaction, by adopting world-class production lines, advanced quality inspection equipment and related ancillary facilities.

Mater Kong initiated in October 2008 the first public interest contest in China under the theme of "Water Resources" aiming to promote the improvement of the water environment in China and bringing bigger changes and social economic values to the society.

Hangzhou Tingjin and Nanjing Tingjin had strong awareness of water-saving and put great emphasis on water consumption, and were awarded "outstanding enterprises for water-saving in the beverage industry of China" for the year 2008 by the China Beverage Industry Association in recognition of their outstanding performance in water-saving, which was a reflection of their active efforts in innovation.

In 2008, turnover for beverage business increased by 26.65% to US$1,924.119 million as compared to last year representing 45.04% of the Group's total turnover. During the year, gross margin of beverage business dropped slightly by 0.58 ppt. to 36.19% but gross profit increased 24.65% when compared to same period last year. The drop of gross margin was due to sales growth being below expectation, as a result, utilization rate dropped slightly. Profit attributable to equity holders from the beverage business was US$99.316 million, an increase of 11.40% from last year.

Bakery Business

Turnover of the bakery business segment in 2008 amounted to US$149.922 million, representing an increase of 36.72% compared with last year. Gross margin for Bakery business was 38.39% and profit attributable to equity shareholders reached US$5.901 million. The better performance is the result of the effective promotion of core bakery products, such as the "3+2" Sandwich Cracker, Muffin, Tasty Crisp and Egg Rolls, under the refined sales strategy. According to ACNielsen's survey in December 2008, Master Kong ranked second in the sandwich cracker market and had respective market shares of 23.1% and 25.5% in sales volume and turnover.

In March 2009, Master Kong Egg Rolls was named "Nation Bakery" by China National Food Industry Association.

In 2009, we will continue the operation of our core brands and market expansion. In the bakery business segment, we strive to build the "Master Kong's bakery kingdom" through improving its profitability and safety operation system.

Refrigeration Business

Refrigeration business continued to develop smoothly in 2008. Daily C fresh juice, Wei Chuan Yogurt and Wei Chuan Active Lactobacillus Drinks maintained stable sales growth in the Great Shanghai area. During the year, we have launched PET Bernachon coffee and new flavor Mocha coffee.

On 7 November 2008, the Company and Wei Chuan (BVI) Co., Ltd. entered into an agreement, pursuant to which Wei Chuan (BVI) has conditionally agreed to acquire from the Company the entire equity interest in Hangzhou Wei Chuan Foods Co., Ltd. at a consideration of RMB73.960 million. Hangzhou Wei Chuan Foods Co., Ltd. is a wholly-owned subsidiary of the Company and principally engaged in the manufacture and sale of refrigerated products.

Upon completion of the Disposal, the Company would focus its resources in developing its major business and brand.

FINANCING

The Group continued to maintain a stable and healthy finance structure through the effective control of trade receivables, trade payables and inventories. In the volatile financial market, the Group felt appropriate to maintain sufficient cash balances. At the year end, the Group's cash and bank deposits totalled US$384.964 million, an increase of US$142.072 million from previous year. The Group's total assets and total liabilities amounted to approximately US$2,961.516 million and US$1,422.878 billion respectively, represented increases of US$627.095 million and US$370.152 million respectively when compared to 31 December 2007. The debt ratio increased by 2.95 ppt. to 48.05% as compared with same period in 2007. The increase in debt ratio was because both trade payables and bank loans have increased due to capital expenditures and seasonal purchases of more raw materials, in line with the increase in activities.

At the end of 2008, the Group's total borrowings increased by US$168.654 million to US$567.081 million. The increase in borrowings were mainly used for production facilities and working capital. The Group's proportion of the total borrowings denominated in foreign currency and Renminbi were 62% and 38% respectively, as compared with 50% and 50% respectively last year. The proportion between long-term loans and short-term loans was "24%: 76%", as compared with "27%: 73%" for 2007. The Group's transactions were mainly denominated in Renminbi. Appreciation in Renminbi against US dollars of 6.5% brought an exchange gain of US$90.313 million to the Group during the year. US$19.603 million and US$70.710 million of the exchange gain have been included in the income statement and reserves from exchange translation respectively.

Financial Ratio

	For the year ended 31 December	
	2008	2007
Net Profit margin	**6.10%**	6.06%
Finished goods turnover	**9.45 Days**	8.95 Days
Trade receivables turnover	**10.44 Days**	11.84 Days
Gearing ratio (Net debt to shareholders' equity)	**0.15 Times**	0.15 Times
Debt ratio (Total liabilities to total assets)	**48.05%**	45.10%

PRODUCTION SCALE

In respect of the instant noodle business, in 2008, we established a new production base in Tianjin, through which we realized the fast and automatic production of instant noodles, streamlined the staff structure, boosted energy saving and environmental protection and set a new model for instant noodle plants. We also enhanced the level of our products during the year to meet the demands of consumers, providing strong support for our future development and growth and strengthening the Group's leading position in the instant noodle market. Beverage business continued to expand its production in seven cities including Guangzhou and Guiyang. These plants have commenced production in 2008 which further enhanced the Group competitiveness in the beverage market.

HUMAN RESOURCES

As at 31 December 2008, the Group employed 49,089 (2007: 45,990) employees.

In 2008, the Group continued its policy to create more value of its personnel and maintained a human resources direction for its long-term competitiveness. With comprehensive development strategies on human resources, including the recruitment, training, deployment and retention of talents, the Group shall be better equipped to cultivate and retain talents for its continuous development.

We conducted nationwide campus recruitment with a focus on recruiting new staff from major departments of major universities and colleges and promoted a tutorial system by designating mentors or tutors for new staff, so as to build key future resource forces for the Group's future development. We continued to send staff of outstanding performance to overseas countries for training to learn advanced management skills and foster international professionals. We further defined job specifications for existing and reserved manpower in various functions and clarified criteria for selection, performance evaluation and promotion of staff. In accordance with government policy, we continued to monitor our human resources management regulations to avoid unnecessary operational risks. We also continued to formulate personal development plans, formulate remuneration and incentive policies for retaining talents, to enable the staff to share the operating results with the Group.

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

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

Throughout the year ended 31 December 2008, 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.

However, at present, the Chairman of each of the Company's subsidiaries is responsible for the operation of the respective subsidiary. 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.

The Company has taken steps towards the adoption of appropriate measures to ensure that the Company's corporate governance practices comply with the Code.

Audit Committee

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, financial statements and internal control procedures. It also acts as an important link between the Board and the Company's auditor in matters within the scope of the group audit. Four meetings were held during the financial year ended 31 December 2008. The latest meeting of the Committee was held to review the results of the Group for the year.

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 standards as set out in the Model Code throughout the review period.

PROSPECTS

In the global economic slowdown, the Chinese economy also faces a challenging situation with insufficient impetus. In 2009, both nominal growth and actual growth in consumer demand are expected to decline. In view of the stability and non-seasonal characteristic of the food and beverage industry, we expect that although the food and beverage industry will be affected by the economic cycle to a certain extent, it should not experience similar significant fluctuations as in other industries. Due to the decreases in income and expected income, the proportion of high and medium end consumer goods in overall urban household food consumption will decline whereas the proportion of basic consumer goods will increase. On the other hand, with the growth in rural household income in recent years, the growth in food consumption in rural areas will be higher than that in urban areas. Therefore, the Group will continue to focus on instant food in the public and baisc consumption field and proactively seize the opportunities brought by the expansion of the rural consumer market and the increasing rural consumption. In view of the current economic situation, raw material price in the food industry will fluctuate within a narrow band in 2009, which will be favorable to us for better control of production costs.

In spite of the current global economic recession but with the gradual recovery of the Chinese economy and the good growth trend of the overall consumer goods market, we are confident about 2009. In order to overcome the present temporary difficulties and seize opportunities in the future, we will, with the joint efforts of the excellent operation team of the Group, actively adjust our product mix in line with the needs of the market, continuously develop the competitive capability of our dominant products and invest in the sectors with best development potential in the food and beverage industry, so as to maintain the Group's leading position in the industry and reward the shareholders with better results. The Group's estimated capital expenditures will be approximately US$268 million for 2009.

In the current economic recession, the Group had achieved a steady growth in turnover in the first quarter of 2009 of 21.28%, which helps to boost morale of the management team. We are reasonably confident that turnover and EBITDA will continue to achieve doubt-digit growth in 2009.

Finally, I would like to take this opportunity to express our heartfelt appreciation to our shareholders, business partners and financial institutions who have given their support to our Group, and to the management teams and all other staff for their strenuous works and contributions to the Group's business development.

PURCHASE, SALE OR REDEMPTION OF SHARES

Other than the Company repurchased its own shares of 1,912,000 shares during the year for approximately US$1.986 million, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year. All shares repurchased have been cancelled and will not be reissued or resold.

SHARE OPTION SCHEME

At the extraordinary general meeting held on 20 March 2008, the shareholders approved the adoption of the Share Option Scheme. On the same day, the Company granted 11,760,000 share options to employees of the Group. The 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. The Company offered 2,000,000 share options to the Company's Chairman and Chief Executive Officer, Mr. Wei Ing-Chou.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be published on the website of the Stock Exchange and the Company's website www.masterkong.com.cn in due course.

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. Junichiro Ida are executive directors of the Company. Mr. Hsu Shin-Chun, Mr. Lee Tiong-Hock and Mr. Michio Kuwahara are independent non-executive directors of the Company.

By Order of the Board
Wei Ing-Chou
Chairman

Tianjin, the PRC, 21 April 2009

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

* *For identification purposes only*