

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



THIRD QUARTERLY RESULTS FOR THE THREE MONTHS AND NINE MONTHS ENDED 30TH SEPTEMBER 2009

SUMMARY

US\$ million	For the three months ended 30 September		Change
	2009	2008	
• Turnover	1,536.682	1,321.411	+16.29%
• Gross Margin	35.81%	32.50%	+3.31ppt
• Gross profit of the Group	550.237	429.485	+28.12%
• EBITDA	285.259	201.698	+41.43%
• Profit for the period	194.626	129.755	+49.99%
• Profit attributable to equity holders of the Company	147.408	91.893	+60.41%
• Earnings per share (US cents)	2.64	1.65	+US0.99 cents
• At 30 September 2009, Cash and cash equivalents was US\$795.925 million and Gearing ratio was -0.38 times.			

INTRODUCTION

The macro economy of the PRC entered a “plateau” stage of growth in the third quarter, being well poised for further development, after a strong rebound in the second quarter. The gross domestic product (GDP) for the third quarter of 2009 grew by 8.9% over the same period of last year, a clear increase as compared to the growth rate of 7.9% in the second quarter and 6.1% in the first quarter. Those indexes have been rising, indicating the economy has shaken off deflation, and has entered a stage of recovery.

As the domestic economy further improved and domestic market demand continued to expand, the consumer demand increased steadily. The Group captured this opportunity and continued to scale new peaks in its turnover in the third quarter through flexible marketing strategies and effective market networks. Turnover increased by 16.29% over the same period last year to US\$1,536.682 million. Turnover for instant noodles and beverage increased by 9.59% and 26.16% to US\$593.689 million and US\$887.704 million respectively. Turnover for bakery slightly decreased 0.72% to US\$45.200 million. During the period, the Group’s instant noodle, Ready-To-Drink (RTD) Tea, mineralized water and sandwich crackers continued to maintain leading position in the PRC market.

In August 2009, “Master Kong” brand won an award in the “60th anniversary of the founding of the People’s Republic of China – survey election of ‘sixty brands that can promote the PRC economy and influence the people’s life’ ” organized by CCTV.com of China Central Television, which was aimed at highlighting successful brands and strongly supporting self-owned innovative brands. In October, the Group was ranked the fifth in “the Survey of Top Taiwan Global Brands 2009” by InterBrand from UK. The brand value of Master Kong increased by 15% to US\$916 million when compared to last year. The Group has ranked in the top five in the past seven years. The above ratings further demonstrate the strong market position of Master Kong Brand in the Greater China. In the same month, Forbes announced “Fabulous 50” list, a roundup of the best public companies in the Asia Pacific region. The Group made its second consecutive appearance on the list which further reflects the performance of the Company’s stock price, projected earnings, long term profitability and sales growth.

2009 THIRD QUARTERLY RESULTS

The Board of Directors of Tingyi (Cayman Islands) Holding Corp. (the “Company”) is pleased to announce the unaudited condensed consolidated third quarterly financial statements of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 30 September 2009 together with the unaudited comparative figures for the corresponding periods in 2008. These unaudited third quarterly financial statements have been reviewed by the Company’s Audit Committee.

Condensed Consolidated Income Statement

For the Three Months and Nine Months Ended 30 September 2009

	<i>Note</i>	2009		2008	
		July to September (Unaudited) US\$'000	January to September (Unaudited) US\$'000	July to September (Unaudited) US\$'000	January to September (Unaudited) US\$'000
Turnover and revenue	2	1,536,682	4,038,355	1,321,411	3,370,664
Cost of sales		(986,445)	(2,582,337)	(891,926)	(2,266,243)
Gross profit		550,237	1,456,018	429,485	1,104,421
Other net income		30,159	55,090	18,973	57,791
Distribution costs		(316,516)	(830,753)	(253,134)	(645,871)
Administrative expenses		(30,827)	(87,838)	(27,863)	(78,087)
Other operating expenses		4,346	(36,942)	(11,020)	(43,349)
Finance costs	5	(3,702)	(14,625)	(7,195)	(22,712)
Share of results of associates		2,025	8,628	3,215	10,568
Profit before taxation	5	235,722	549,578	152,461	382,761
Taxation	6	(41,096)	(105,847)	(22,706)	(62,024)
Profit for the period		194,626	443,731	129,755	320,737
Attributable to					
Equity holders of the Company		147,408	326,791	91,893	219,500
Minority interests		47,218	116,940	37,862	101,237
Profit for the period		194,626	443,731	129,755	320,737
Earnings per share	7				
Basic		2.64 cents	5.85 cents	1.65 cents	3.93 cents
Diluted		2.63 cents	5.84 cents	1.65 cents	3.93 cents

Condensed Consolidated Statement of Comprehensive Income
For the Three Months and Nine Months Ended 30 September 2009

	2009		2008	
	July to September (Unaudited) US\$'000	January to September (Unaudited) US\$'000	July to September (Unaudited) US\$'000	January to September (Unaudited) US\$'000
Profit for the period	194,626	443,731	129,755	320,737
Other comprehensive income				
Net gains recognised directly in equity				
Exchange translation difference	1,509	350	8,325	83,951
Total comprehensive income for the period (net of tax)	<u>196,135</u>	<u>444,081</u>	<u>138,080</u>	<u>404,688</u>
Total comprehensive income attributable to:				
Equity holders of the Company	148,653	326,941	81,558	284,791
Minority interests	47,482	117,140	56,522	119,897
	<u>196,135</u>	<u>444,081</u>	<u>138,080</u>	<u>404,688</u>

Condensed Consolidated Statement of Financial Position
At 30 September 2009

		At 30 September 2009 (Unaudited) US\$'000	At 31 December 2008 (Audited) US\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		2,070,992	1,974,445
Intangible assets		7,650	9,733
Interest in associates		47,323	68,095
Prepaid lease payments		89,191	81,308
Available-for-sale financial assets		3,442	3,760
Deferred tax assets		5,379	5,379
		<u>2,223,977</u>	<u>2,142,720</u>
Current assets			
Financial assets at fair value through profit or loss		4,552	550
Inventories		192,165	194,904
Trade receivables	9	160,408	129,944
Prepayments and other receivables		102,875	108,434
Pledged bank deposits		11,412	4,889
Bank balances and cash		784,513	380,075
		<u>1,255,925</u>	<u>818,796</u>
Total assets		<u><u>3,479,902</u></u>	<u><u>2,961,516</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital		27,934	27,934
Reserves		675,155	672,676
Retained profits		700,825	376,421
Proposed final dividend		—	130,172
		<u>1,403,914</u>	<u>1,207,203</u>
Equity attributable to equity holders of the Company		1,403,914	1,207,203
Minority interests		446,273	331,435
Total Equity		<u><u>1,850,187</u></u>	<u><u>1,538,638</u></u>
Non-current liabilities			
Interest-bearing borrowings		113,689	135,852
Other non-current payables		2,296	2,295
Employee benefit obligations		10,752	9,200
Deferred tax liabilities		60,805	39,848
		<u>187,542</u>	<u>187,195</u>
Current liabilities			
Trade payables		735,466	403,925
Other payables		458,247	352,475
Interest-bearing borrowings		150,125	431,229
Advance payments from customers		63,846	36,483
Taxation		34,489	11,571
		<u>1,442,173</u>	<u>1,235,683</u>
Total liabilities		<u><u>1,629,715</u></u>	<u><u>1,422,878</u></u>
Total equity and liabilities		<u><u>3,479,902</u></u>	<u><u>2,961,516</u></u>

Notes:

1. Basis of preparation and accounting policies

The Directors are responsible for the preparation of the Group's unaudited third quarterly financial statements. These unaudited third quarterly financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These condensed quarterly financial statements should be read in conjunction with the 2008 annual financial statements. The accounting policies adopted in preparing the unaudited interim financial statements for the nine months ended 30 September 2009 are consistent with those in the preparation of the Group's annual financial statements for the year ended 31 December 2008, except for the impact of the adoption of the Standards and Interpretations described below.

HKFRS 8 *Operating Segments* (effective for annual periods beginning on or after 1 January 2009).

HKFRS 8 is a disclosure Standard that has resulted in a redesignated of the Group's reportable segments, but has had no impact on the reported results or financial position of the Group.

HKAS 1 (revised 2007) *Presentation of Financial Statements* (effective for annual periods beginning on or after 1 January 2009)

The revised Standard has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised Standard has had no impact on the reported results or financial position of the Group.

The following amendments and interpretations issued by HKICPA which are or have become effective and did not have any material impact on the accounting policies of the Group.

Annual Improvements Project	Improvements to HKFRSs
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 Amendments	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 Amendments	Share-based Payment – Vesting Conditions and Cancellations
Amendments to HKFRS 7	Improving Disclosure about Financial Instruments
HK(IFRIC) – INT 13	Customer Loyalty Programmes
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate
HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation
Amendments to HK(IFRIC) - INT 9 and HKAS 39	Embedded Derivatives

2. 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.

3. Segment information

For Nine Months ended 30 September 2009						
	Instant noodles (Unaudited) US\$'000	Beverages (Unaudited) US\$'000	Bakery (Unaudited) US\$'000	Others (Unaudited) US\$'000	Inter-segment elimination (Unaudited) US\$'000	Group (Unaudited) US\$'000
Revenue						
Revenue from external customers	1,668,140	2,186,848	122,813	60,554	—	4,038,355
Inter-segment revenue	84	798	830	60,595	(62,307)	—
Segment revenue	<u>1,668,224</u>	<u>2,187,646</u>	<u>123,643</u>	<u>121,149</u>	<u>(62,307)</u>	<u>4,038,355</u>
Segment results	253,906	283,925	9,816	9,531	(1,603)	555,575
Finance costs						(14,625)
Share of results of associates						8,628
Profit before taxation						<u>549,578</u>
For Nine Months ended 30 September 2008						
	Instant noodles (Unaudited) US\$'000	Beverages (Unaudited) US\$'000	Bakery (Unaudited) US\$'000	Others (Unaudited) US\$'000	Inter-segment elimination (Unaudited) US\$'000	Group (Unaudited) US\$'000
Revenue						
Revenue from external customers	1,524,211	1,646,614	113,416	86,423	—	3,370,664
Inter-segment revenue	202	226	627	63,525	(64,580)	—
Segment revenue	<u>1,524,413</u>	<u>1,646,840</u>	<u>114,043</u>	<u>149,948</u>	<u>(64,580)</u>	<u>3,370,664</u>
Segment results	135,299	237,959	6,309	13,566	1,772	394,905
Finance costs						(22,712)
Share of results of associates						10,568
Profit before taxation						<u>382,761</u>

Segment results represents the profit earned by each segment without allocation of finance costs and share of results of associates. This is the measure reported to chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

3. Segment information (continued)

An analysis of the Group's assets by operating segment is set out below:

At 30 September 2009						
	Instant noodles (Unaudited) US\$'000	Beverages (Unaudited) US\$'000	Bakery (Unaudited) US\$'000	Others (Unaudited) US\$'000	Inter-segment elimination (Unaudited) US\$'000	Group (Unaudited) US\$'000
Segment assets	1,344,449	1,961,984	66,125	554,470	(499,828)	3,427,200
Interest in associates						47,323
Unallocated assets						5,379
						<u>3,479,902</u>
At 31 December 2008						
	Instant noodles (Audited) US\$'000	Beverages (Audited) US\$'000	Bakery (Audited) US\$'000	Others (Audited) US\$'000	Inter-segment elimination (Audited) US\$'000	Group (Audited) US\$'000
Segment assets	1,215,017	1,482,103	61,109	622,049	(492,236)	2,888,042
Interest in associates						68,095
Unallocated assets						5,379
						<u>2,961,516</u>

4. Seasonality of operations

Due to the seasonal nature of the beverages segment, higher revenue is usually expected in the second and third quarters. Higher sales during the period from June to August are mainly attributed to the increased demand for packed beverages during the hot season.

5. Profit before taxation

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

	2009		2008	
	July to September (Unaudited) US\$'000	January to September (Unaudited) US\$'000	July to September (Unaudited) US\$'000	January to September (Unaudited) US\$'000
Finance costs				
Interest on bank loans				
wholly repayable within five years	<u>3,702</u>	<u>14,625</u>	<u>7,195</u>	<u>22,712</u>
Other items				
Depreciation	50,811	147,951	45,778	126,103
Amortisation	1,164	3,486	1,085	3,234
Gain on disposal of a subsidiary	<u>(3,285)</u>	<u>(3,285)</u>	<u>—</u>	<u>—</u>

6. Taxation

	2009		2008	
	July to September (Unaudited) US\$'000	January to September (Unaudited) US\$'000	July to September (Unaudited) US\$'000	January to September (Unaudited) US\$'000
Current tax – PRC Enterprise Income Tax				
Current period	30,711	84,890	17,549	49,803
Deferred taxation				
Origination and reversal of temporary differences, net	1,192	3,497	657	1,721
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	9,193	17,460	4,500	10,500
Total tax charge for the period	41,096	105,847	22,706	62,024

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 period.

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%.

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%.

Pursuant to the State Council Circular on the Implementation of the Transitional Concession Policies for Enterprise Income Tax (Guo Fa [2007] no. 39), enterprises previously entitled to a reduced tax rate shall have a grace period of five years regarding the tax reduction commencing on 1 January 2008; the subsidiaries which were entitled to a 15% EIT rate will be subjected to tax rates of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012 and thereafter. 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.

Pursuant to the PRC EIT Law, a 10% withholding tax is levied on dividends distributed to foreign investors by the foreign investment enterprises established in PRC. The requirement is effective from 1 January 2008 and applies to earnings accumulated after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between PRC and jurisdiction of the foreign investors. For the Group's PRC subsidiaries, the applicable rate is 10% and deferred tax liability is only provided on those parts of post-2007 earnings that are expected to be distributable in the foreseeable future.

7. (a) Basic earnings per share

The calculation of earnings per share is based on the profit attributable to equity holders of the Company of US\$326,791,000 for the period ended 30 September 2009 (2008: US\$219,500,000) and the weighted average of 5,586,793,360 (2008: 5,588,705,360) ordinary shares in issue throughout the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company of US\$326,791,000 for the period ended 30 September 2009 (2008: US\$219,500,000). The share options are dilutive for the nine months ended 30 September 2009 and 2008 and are therefore included from the weighted average number of ordinary shares for the purposes of diluted earnings per share.

	For the nine months ended 30 September	
	2009	2008
	No. of shares	No. of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,586,793,360	5,588,705,360
Effect of deemed issue of shares under the Company's share option scheme	9,345,042	1,210,388
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,596,138,402	5,589,915,748

8. Dividend

The Board of Directors resolves that no dividend be paid for the nine months ended 30 September 2009 (2008: nil).

9. Trade receivables

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

	At 30 September 2009 (Unaudited) US\$'000	At 31 December 2008 (Audited) US\$'000
0 - 90 days	151,069	117,008
Over 90 days	9,339	12,936
	<u>160,408</u>	<u>129,944</u>

MANAGEMENT DISCUSSION AND ANALYSIS

As the domestic economy further improved and consumer market demand continued to expand, the Group continued to scale new peaks in its turnover in the third quarter through flexible marketing strategies and effective market networks. Turnover increased by 16.29% over the same period last year to US\$1,536.682 million. As a result of price decreases for palm oil and PET resin and the improvement in production efficiency, the Group's gross margin increased by 3.31ppt. to 35.81% and gross profit increased by 28.12% year-on-year. Profit before tax increased by 54.61% to US\$235.722 million mainly due to improved gross margin and better costs control such as finance cost was down 48.55% when compared to the same period last year. In the third quarter, EBITDA increased by 41.43% to US\$285.259 million. Profit attributable to equity holders of the Company also sharply increased substantially by 60.41% year-on-year to US\$147.408 million.

Instant Noodle Business

In the third quarter of 2009, turnover for instant noodles grew by 9.59% year-on-year to US\$593.689 million, representing 38.63% of the Group's total turnover. In this third quarter, palm oil price has increased when compared to the first half of the year, but is still lower than the third quarter last year. Coupled with the improvements in production efficiency, gross margin increased by 6.48ppt to 32.59% and gross profit grew by 36.75%. Profit attributable to equity holders of the Company was US\$94.134 million, an increase of 89.52%.

The continuous increase in sales of instant noodles was the result of Master Kong's rational planning of different price levels. The high-end noodles were upgraded with appropriate price increases. Consumers in the PRC demanded for higher food quality which leads to steady growth in the demand for high-end noodles. To satisfy consumers' expectation on high quality products, Master Kong took the initiative to upgrade its products, transformed square chapattis into round ones, increased the gram weight of meat and vegetable sacks, and improved quality to a new level so as to make our consumers more satisfied. In order to satisfy the different tastes of consumers from different areas, Master Kong established regional brands based on regional food cultures, added more flavours with raw vegetable sacks and thus setting a basis for the upgrade of products and driving the demand of consumers for new flavours. As a result, the high end noodle market continued to grow. For operations of the Group's auxiliary brand, "Shimianbafan" continued its promotion under "The journey for Fried Noodle delicacy", and through marketing with box and packet packaging further consolidated Master Kong's leading position in the mixed fried noodle market segment. "Mianba La Mian" has effectively satisfied consumers who crave for quality noodles.

For medium end noodles, recognising of the needs of low income groups in cities who could not afford instant noodle products to their satisfaction, the Group launched such brands as "Master Kong Fine Selected", "Jing Shuang", "Hao Zi Wei", "Super Fumanduo" and "Rouguwang" priced at RMB1.2 - 1.5, and developed the medium end noodle market with quality brands and real flavors to expand the market demand.

Over the last year, lower end noodles has been the main reason for the overall drop in the quantity of instant noodles consumed. This was mainly attributed to the fact that many small-sized manufactures neglected their product technology, and could not ensure their food safety during periods of inflation, and therefore they were naturally eliminated amidst price rises in raw materials. Instant noodles priced at RMB1 or less per packet accounted for nearly 50% of the overall instant noodle market. To facilitate the sustainable development of the instant noodle industry, Master Kong focused on "one dollar" products with a higher performance-price ratio, and sold products under its Fumanduo brand to lower tier cities, towns and country areas to satisfy the needs of low income consumers, thereby making the industry more active.

According to ACNielsen's survey in September 2009, in terms of sales volume and value of instant noodle, the Group's market share in overall PRC market increased to 41.0% and 54.2% respectively. In terms of sales value, market share for bowl noodle and high end packet noodle were 69.0% and 71.5% respectively, establishing them firmly in the No.1 position for more than ten years.

On the production front, the production systems were further improved by the introduction of TPM, WMS, ISO22000 and ISO9000 projects and the production processes in the existing plants were revamped to facilitate the acceleration of automation and mechanization of plant equipment and enhance both production efficiency and productivity per capita, thus the production cost pressures resulting from the rising prices of raw materials, energy and wages were suitably alleviated. The newly completed modern plant in Tianjin and the seasoning plant in Hangzhou also enhanced the performance of instant noodle production substantially.

Beverage Business

The rebound of the economy; the increase in consumers' demands; the approaching of the peak season for beverages; the hot summer, together with our effective operating strategies contributed to the sustainable and rapid development of the Group's beverage business. In the third quarter of 2009, turnover for beverage grew by 26.16% year-on-year to US\$887.704 million, representing 57.77% of the Group's total turnover. Prices for PET resin and sugar have continued to increase when compared to first half of the year. As a result of the high utilization rate of the production lines led by sales growth, gross margin increased by 0.94ppt to 37.61% and gross profit grew by 29.40% year-on-year. Profit attributable to equity holders of the Company was US\$46.528 million, an increase of 22.72%.

The promotional lucky draw activity of "One More Bottle" for tea drinks was conducted over the whole summer and dominated the beverage market, which not only increased the turnover of tea drinks and benefited the consumers, but as a leading brand in the RTD tea industry, more importantly, promoted the healthy growth of the tea drink market. Newly launched sugar free green tea, Tie Guan Yin tea and Oolong tea quickly became extremely popular and were well-received by consumers with sales volume gradually rising, establishing a new trend of summer tea drinks followers and building a trend in tea appreciation. Marketing efforts were also made during the period for "big volume" packages to stimulate household consumption.

In the bottled water market, more brands entered the production of mineralized water, which help in accelerating market growth and improved the level of consumers' acceptance, thus making mineralized water more publicly acceptable. During the period, the Group's mineralized water sales continued the upward trend from the beginning of the year, and now holds a leading position in the bottled water market.

Fruit juice drinks became increasingly popular among consumers, resulting in more intense competition. The Group was consistently enriching its product lines and launching products with unique flavours, under its duo brands of Fresh Daily C and Master Kong. The Group kicked off the lucky draw activity of "One More Bottle" for fruit juice products in September 2009, in which consumers could enjoy themselves by trying their luck for prizes while tasting healthy, delicious and trendy drinks with different flavours.

According to ACNielsen's survey in September 2009, in terms of sales volume, Master Kong RTD tea and bottled water's market shares in the overall PRC market were 48.7% and 24.1% respectively, both ranking No.1 in the PRC RTD tea and bottled water market. For the Group's juice drinks, by using duo brands it has gained 14.2% market share, ranking its No.3 in the diluted juice market.

Bakery Business

In the third quarter 2009, turnover for bakery slightly decreased by 0.72% year-on-year to US\$45.200 million, representing 2.94% of the Group's total turnover. Benefiting from a continuous improvement in production efficiency, and the expansion of brand advertising investment and the sales promotion plan, our core products experienced significant growth. Gross margin increased by 3.21ppt to 41.60% and gross profit grew by 7.59% year-on-year. Profit attributable to equity holders of the Company was US\$2.075 million, a drop of US\$1.596 million. The decrease in profit year-on-year resulted from postponing the implementation of a portion of the advertising promotion budget retained in the first half of the year to the second half year.

A brand investing strategy focusing on our core products "3+2" sandwich series and supplemented by Muffin, Egg Rolls and Sweet Yolk Biscuit was mainly adopted for the bakery business in the third quarter, and during the period, "3+2" sandwich crackers and egg rolls were the primary source of sales growth. According to ACNielsen's survey in September 2009, in terms of sales volume and value, Master Kong had respective market shares of 24.5% and 24.6%, ranked second in the sandwich cracker market. Market share for Master Kong egg rolls were 22.4% and 29.6%, ranked No.1 in the market.

Bakery business will continue to expand with the growth of core products, modernization of traditional foods, increased sales items and strengthened core production technologies through different modes of co-operations.

Refrigeration Business

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 is a wholly-owned subsidiary of the Company and principally engaged in the manufacture and sale of refrigeration products. In July 2009, Industrial and Commercial Bureau of the PRC granted the original business license of Hangzhou Wei Chuan Foods Co., Ltd., and all procedures for the disposal transaction have been completed by now.

FINANCING

As of 30 September 2009, the Group's total liabilities amounted to US\$1,629.715 million, and total assets amounted to US\$3,479.902 million. The Group's total liabilities increased by US\$206.837 million as compared to US\$1,422.878 million as at 31 December 2008. The debt ratio, calculated as total liabilities to total assets, decreased by 1.22ppt. to 46.83% as compared to 31 December 2008. The Group's long-term and short-term bank loans decreased by US\$303.267 million, as compared to 31 December 2008. The Group's proportion of the total borrowings denominated in foreign currency and Renminbi was 93% and 7% respectively. The proportion between the Group's long-term loans and short-term loans was 43% and 57%. The Group's transactions are mainly denominated in Renminbi. During the period, there have no significant adverse impact on the Group arising from the exchange rate fluctuation.

The Group continued to maintain its sound liquidity. As of 30 September 2009, the Group had bank balances and cash on hand of US\$795.925 million, and no contingent liability.

Financial Ratio

	As at 30 September 2009	As at 31 December 2008
Finished goods turnover	8.94 Days	9.45 Days
Trade receivables turnover	9.81 Days	10.44 Days
Current ratio	0.87 Times	0.66 Times
Debt ratio (Total liabilities to total assets)	46.83%	48.05%
Gearing ratio (Net debt to equity attributable to equity holders of the Company)	-0.38 Times	0.15 Times

HUMAN RESOURCES

The number of the Group's staff was 49,492 as at 30 September 2009. During the period, the Group continued to create more value of its personnel and maintained a human resources direction for its long-term 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. In order to implement a system of pre-employment training for new staff, the Group specially established the "Master Kong World Famous Universities Scholarship", and the first batch of scholarships are expected to be granted in September 2010, with Waseda University of Japan as its first cooperative university, which will reserve medium and high level cadres for the Group. We recognize that talented employees are one of Master Kong's core competitive edges.

PROSPECTS

Due to the successful introduction of stimulant economic measures by the PRC Government, the macro economy of the PRC entered a "plateau" stage of growth in the third quarter, being well poised for further development, Domestic demand, in particular investment, remains the major predominant force for the continued stability of the future economy. With the government's policy of providing continued guidance for positive consumption, the food industry will continue the trend in recent years of steady growth.

Facing severe competition in the instant noodle and beverage markets of the PRC, we will continue to build on our strength, adhere to our long-term development plan, seize opportunities and enrich our product offerings timely in order to meet further demand from customers. Meanwhile, we will continue to firmly support the enforcement of the Food Safety Law and will take up the responsibility for the sustainable development of the industry. Looking forward, the Group will continue to focus on developing instant food and beverage businesses to further strengthen the leading position of its products in the PRC market and our results will continue to grow steadily.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

Throughout the period ended 30 September 2009, the Company has complied with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), except that:

1. there is no separation of the role of chairman and chief executive officer. Mr. Wei Ing-Chou currently assumes the role of both the Chairman and the Chief Executive Officer of the Company;
2. all Independent Non-executive Directors of the Company are not appointed for a specific term as they are subject to retirement by rotation in accordance with the Company’s Articles of Association; and
3. Mr. Wei Ing-Chou, the Chairman of the Board of the Company does not need to retire by rotation.

However, at present, the chairman of each of the Company’s subsidiaries is responsible for the operation of the respective subsidiaries. Due to the need of business development considerations, Mr. Wei Ing-Chou is required to act as the chairman of certain subsidiaries. Except for these subsidiaries, the Chief Executive Officer of the Group has not act as the Chairman of other subsidiaries. In practice, there is effective separation of the roles between the Chairman of the Company’s subsidiaries and the Chief Executive Officer of the Group. Mr. Wei Ing-Chou has been in charge of the overall management of the Company since the listing of the Company in 1996. Although Mr. Wei Ing-Chou does not need to retire by rotation and assumes the role of both the Chairman and the Chief Executive Officer of the Company, the Company considers that such arrangement at this stage helps to promote the efficient formulation and implementation of the Company’s strategies which will enable the Group to further develop its businesses effectively. With the above balancing mechanism of chairman of subsidiaries and the supervision of the Board and the independent non-executive directors, the interests of the shareholders are adequately and fairly represented.

Directors’ responsibility for the financial statements

The Directors acknowledge their responsibility for preparing the financial statements of the Group. With the assistance of the Finance and Accounting Department which is under the supervision of the Qualified Accountant of the Company, the Directors ensure that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards. The Directors also ensure that the publication of the financial statements of the Group is in a timely manner.

Audit Committee

The Audit Committee currently has three Independent Non-executive Directors, Mr. Lee Tiong-Hock, Mr. Hsu Shin-Chun and Mr. Michio Kuwahara. The latest meeting of the Committee was held to review the results of the Group for this period.

Remuneration and Nomination Committee

This Committee now comprises three Independent Non-executive Directors, Mr. Hsu Shin-Chun, Mr. Lee Tiong-Hock and Mr. Michio Kuwahara. The Committee was set up to consider and approve the remuneration packages of the Directors and the senior employees of the Group, including the terms of salary and bonus schemes and other long-term incentive schemes. The Committee also reviews the structure, size and composition of the Board from time to time and recommends to the Board on appointments of Directors and the succession plan for Directors.

Internal Control

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group’s internal control system includes a well defined management structure with limits of authority which is designed for the achievement of business objectives, to safeguard assets against unauthorised use or disposition, to ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the required standard as set out in the Model Code throughout the review period.

PURCHASE, SALE OR REDEMPTION OF SHARES

There were no purchases, sales or redemptions of the Company's shares by the Company or any of its subsidiaries during the period.

SHARE OPTION SCHEME

At the extraordinary general meeting held on 20 March 2008, the shareholders approved the adoption of the Share Option Scheme. Detail arrangement for the share option scheme shown as below:

Date of grant	Number of share options granted	Validity period	Exercise price (HK\$)	Number of share granted to Wei Ing-Chou
20 March 2008	11,760,000	21 March 2013 to 20 March 2018	\$9.28	2,000,000
22 April 2009	26,688,000	23 April 2014 to 22 April 2019	\$9.38	2,816,000

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 46(1) to 46(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.

BOARD OF DIRECTORS

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

By Order of the Board
Wei Ing-Chou
Chairman

Tianjin, PRC, 16 November 2009

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

* For identification purpose only