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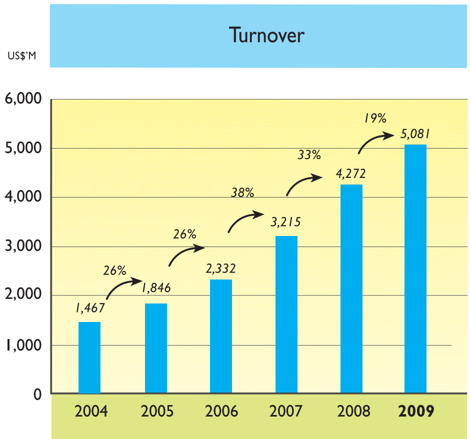
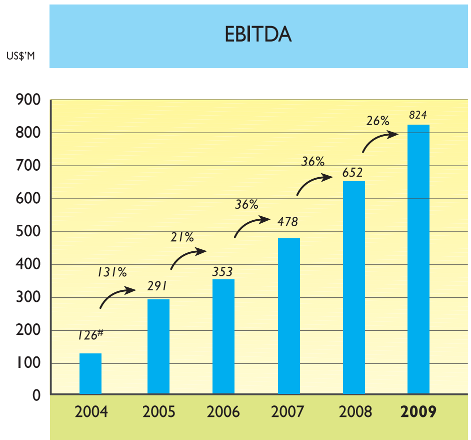
Five Consecutive Years of Double Digit Growth in Turnover and EBITDA





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 2009

US$'000	2009	2008		Change
• Turnover	**5,081,113**	4,272,053	↑	18.94%
• Gross margin of the Group (%)	**34.63**	32.18	↑	2.45 ppt.
• Profit for the year	**500,495**	362,036	↑	38.24%
• Profit attributable to owners of the Company	**383,207**	260,404	↑	47.16%
• Earnings per share (US cents)				
Basic	**6.86**	4.66	↑	2.20 cents
Diluted	**6.85**	4.66	↑	2.19 cents
• Net cash from operating activities	**1,000,885**	602,992	↑	65.99%
• Final dividend per ordinary share (US cents)	**3.43**	2.33	↑	1.10 cents

CHAIRMAN'S STATEMENT

In 2009, the global economy was abnormally volatile under the shadow of the financial tsunami. China took the lead in recovering from the global economic crisis, with annual gross domestic product (GDP) reaching RMB33.54 trillion, up 8.7% year-on-year, and GDP in the fourth quarter further increased significantly to 10.7%. The Chinese government continued to introduce and refine its package of measures to directly drive the growth of domestic demand and effectively stimulate consumption. It is generally believed that in 2010 China is still the main engine driving the global economy.

In 2009, the Group seized the opportunity to timely introduce effective marketing strategies. This, coupled with effective use of internal resources, productivity enhancement and raw materials procurement arrangements, has enabled the Group to achieve new height in performance. During the year, turnover increased 18.94% year on year to US$5,081 million, EBITDA rose 26.39% to US$824 million, profit attributable to owners of the Company rose 47.16% to US$383 million, and earnings per share amounted to 6.86 cents. It is even more encouraging that even under external environments of economic ups and downs, abnormal fluctuations of raw material prices and fierce market competition, the Group has successfully achieved its target for five consecutive years of double-digit growth in turnover and EBITDA, reflecting its effective business performance.

Owing to the Group's 2009 excellent results and considering the overall operation, capital expenditures and working capital requirements and cash flow of the Group, I recommend 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 9 June 2010 the payment of a final dividend of US3.43 cents per share (an increase of US1.10 cents per share when compared to final dividend per share in 2008 of US2.33 cents) to shareholders whose names appear on the register of members on 9 June 2010 (shareholders who bought the Company's shares on or before 3 June 2010 should ensure that transfers are lodged with the Company's Registrar in Hong Kong for registration no later than 4:30 p.m. on 7 June 2010). Total amount of final dividend for the year 2009 will be US$191.627 million, an increase of US$61.455 million when compared to 2008 of US$130.172 million).

China's huge consumer market has attracted international manufacturers to substantially increase their investment in China. Competition within the industry has become increasing more intense. Also, with the constant changes in consumption structure and the decreasing difference between urban and rural areas, rural markets has become the main battlefields for sectorial competition. Thus, the Group focused on the scale and specialization of its convenience food and drinks business, and successively reformed some of its production bases, increased capital investments, and appropriately expanded its production capacity. While enriching product items to create a new driving force for the rapid growth, the Group also adjusted the product structure to promote the full development of its products in high, medium and low-end markets, and continued to strengthen its sales network so as to actively increase the market shares of Master Kong products at all levels of the market.

As the leader in China's food industry, Master Kong has very positive consumer recognition and reputation. On the basis of a solid sales network, the Group continued to invest in its brand, increase national media and local television advertisement and strengthen the image of Master Kong as a brand of high-value instant noodles and tea expert. According to the December 2009 report published by ACNielson, in terms of sales value, instant noodles, RTD tea and bottled water of the Group ranked first in the Chinese market, accounting for 54.6%, 48.4% and 19.6% respectively of the market shares; while sandwich cracker ranked second, accounting for 25.5% of the market shares; and diluted fruit juice ranked second, accounting for 14.2% of the market shares.

In 2009, the Group for the second consecutive year was named one of the 50 best listed companies in Asia by Forbes, and for the seventh consecutive year one of the top five of Taiwan's top ten international brands. The brand value of Master Kong has reached US$916 million. Moreover, "Master Kong" was also selected as a "Consumer's Favorite Green Trademark" by the China Trademark Association and the Chinese Consumers News, a "Benchmark Enterprises" by the Chinese Marketing Leaders Annual Conference, and one of "China's 100 Fastest Growth Company" by the Business Weekly. Furthermore, Master Kong was also awarded the honors of "60 Most Influential Brands for 60 Years" and "People's Social Responsibility Award" at the end of the year. These honors not only represent the recognition of the Group's overall operations, but also spur us to continue our efforts to provide consumers with reassuring, tasty and affordable products.

On 1 September 2009, the two Hope Primary Schools in Sichuan, the Dujiangyan Ting Hsin Primary School and the Mianzhu Ting Hsin Fu Hsin Second Primary School, built under the assistance of Ting Hsin International Group, a substantial shareholder of Master Kong, commenced formal operation. In October 2009, Ting Hsin International Group, Master Kong together with Japan's Waseda University announced the joint investment of 2.5 billion Japanese yen (about US$26.4 million) to provide high value scholarships for 5 years to support 425 outstanding students in China to pursue advanced studies in the World's prestigious universities. This serves to foster the internationalization of talents in the Chinese society.

In addition, to tackle China's water pollution crisis, we continued with the "Water Innovative Public Welfare Plan Competition" and promoted the use of biological water purification device technology to improve water quality and solve the problem of safe drinking water for residents along the Huaihe River.

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

Wei Ing-Chou
Chairman and Chief Executive Officer

22 March 2010

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 2009 are as follows:

CONSOLIDATED INCOME STATEMENT

	Note	**2009**	2008
		US$'000	*US$'000*
Turnover and revenue	4	**5,081,113**	4,272,053
Cost of sales		**(3,321,764)**	(2,897,449)
Gross profit		**1,759,349**	1,374,604
Other net income	6	**79,913**	82,427
Distribution costs		**(1,032,759)**	(826,651)
Administrative expenses		**(96,651)**	(86,398)
Other operating expenses		**(81,650)**	(68,405)
Finance costs		**(12,644)**	(31,168)
Share of results of associates		**9,550**	7,812
Profit before taxation	7	**625,108**	452,221
Taxation	8	**(124,613)**	(90,185)
Profit for the year		**500,495**	362,036
Attributable to:			
Owners of the Company		**383,207**	260,404
Non-controlling interests		**117,288**	101,632
Profit for the year		**500,495**	362,036
Earnings per share			
Basic	10	**6.86 cents**	4.66 cents
Diluted	10	**6.85 cents**	4.66 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2009	2008
	US$'000	*US$'000*
Profit for the year	**500,495**	362,036
Other comprehensive income		
Net gains recognised directly in equity		
Exchange translation difference	**1,731**	90,277
Total comprehensive income for the year (net of tax)	**502,226**	452,313
Total comprehensive income attributable to:		
Owner of the Company	**384,941**	331,114
Non-controlling interests	**117,285**	121,199
	502,226	452,313

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		2009	2008
	Note	***US$'000***	*US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**2,216,638**	1,974,445
Intangible assets		**6,955**	9,733
Interest in associates		**61,892**	68,095
Prepaid lease payments		**88,803**	81,308
Available-for-sale financial assets		**3,408**	3,760
Deferred tax assets		**5,379**	5,379
		2,383,075	2,142,720
Current assets			
Financial assets at fair value through profit or loss		**4,026**	550
Inventories		**212,923**	194,904
Trade receivables	11	**115,591**	129,944
Prepayments and other receivables		**171,889**	108,434
Pledged bank deposits		**9,358**	4,889
Bank balances and cash		**510,831**	380,075
		1,024,618	818,796
Total assets		**3,407,693**	2,961,516

	Note	2009 *US$'000*	2008 *US$'000*
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital		**27,934**	27,934
Reserves		**1,434,710**	1,179,269
Total capital and reserves attributable to owners of the Company		**1,462,644**	1,207,203
Non-controlling interests		**446,420**	331,435
Total equity		**1,909,064**	1,538,638
Non-current liabilities			
Interest-bearing borrowings		**116,983**	135,852
Other non-current payables		**1,531**	2,295
Employee benefit obligations		**11,377**	9,200
Deferred tax liabilities		**60,779**	39,848
		190,670	187,195
Current liabilities			
Trade payables	12	**622,197**	403,925
Other payables		**406,210**	352,475
Interest-bearing borrowings		**218,087**	431,229
Advance payments from customers		**42,497**	36,483
Taxation		**18,968**	11,571
		1,307,959	1,235,683
Total liabilities		**1,498,629**	1,422,878
Total equity and liabilities		**3,407,693**	2,961,516
Net current liabilities		**(283,341)**	(416,887)
Total assets less current liabilities		**2,099,734**	1,725,833

Notes:

1. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong. 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.

Non-controlling 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. Adoption of new/revised HKFRS

Amendments to HKFRS 7: Financial Instruments - Disclosures

Amendments to HKFRS7 require additional disclosures about fair value measurement and liquidity risk. The additional disclosures of fair value measurements by level of a fair value measurement hierarchy and the liquidity risk are not significantly impacted by the amendments. The Group has taken advantage of the transitional provisions set out in the amendments, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments are not provided in the financial statements.

HKFRS 8 Operating Segments

HKFRS 8, replacing HKAS 14: Segment Reporting, requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

3. Adoption of new/revised HKFRS (continue)

HKAS 1 (revised): Presentation of Financial Statements

HKAS 1 (Revised) requires transactions with owners to be presented separately from all other income and expenses in a revised statement of changes in equity. The revised Standard however allows non-owner changes in equity to be shown in a single statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). The Group has elected to prepare two statements. In addition, the revised Standard requires that when comparative information is restated or reclassified, a statement of financial position as at the beginning of the comparative period, in addition to the statements of financial position as at the end of the current period and the comparative period, should be presented. Since the Group and the Company did not restate comparative information during the year, this new requirement has no impact on the financial statements.

HKAS 23 (revised): Borrowing Costs

HKAS 23 (Revised) eliminates the option to expense borrowing costs and requires that borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset should be capitalised as part of the cost of that asset. The adoption of this revised Standard had no significant impact on the financial statements.

Improvements to HKFRSs

Improvements to HKFRS (2008) contain improvements to a number of Standards aiming to remove inconsistencies and clarify wording in the Standards. The adoption of those improvements had resulted in a number of changes in the details of the Group's accounting policies. Of those changes, only those as described below are considered more relevant to the Group:

HKAS 38 Intangible Assets: Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. The amendment does not have a material impact on the Group's 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 chief operating decision-maker has been identified as the executive directors. The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Company's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance. The Company's executive directors consider the business principally from a product perspective as over 90% of the Group's sales and business are conducted in the PRC. Business reportable operating segments identified are instant noodles, beverages, bakery and others.

For the purposes of assessing the performance of the operating segments and allocating resources between segments, the executive directors assess segment profit or loss before income tax without allocation of finance costs and share of result of associates, which is consistent with that in the financial statements.

5. Segment information (continued)

	2009					
	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	2,307,513	2,541,962	155,232	76,406	—	5,081,113
Inter-segment revenue	160	2,829	1,352	81,563	(85,904)	—
Segment turnover and revenue	2,307,673	2,544,791	156,584	157,969	(85,904)	5,081,113
Segment results	325,566	287,075	8,695	7,629	(763)	628,202
Finance costs						(12,644)
Share of results of associates				9,550		9,550
Profit before taxation						625,108
Taxation						(124,613)
Profit for the year						500,495
Assets						
Segment assets	1,436,047	1,743,479	119,682	1,068,872	(1,027,658)	3,340,422
Interest in associates				61,892		61,892
Unallocated assets						5,379
						3,407,693
Liabilities						
Segment liabilities	510,404	868,598	39,456	417,087	(483,195)	1,352,350
Unallocated liabilities						146,279
						1,498,629
Other information						
Capital expenditures	126,982	363,443	196	16,493	—	507,114

5. Segment information (continued)

	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
Assets						
Segment assets	1,215,017	1,482,103	61,109	622,049	(492,236)	2,888,042
Interest in associates				68,095		68,095
Unallocated assets						5,379
						2,961,516
Liabilities						
Segment liabilities	458,789	801,633	40,226	276,336	(254,854)	1,322,130
Unallocated liabilities						100,748
						1,422,878
Other information						
Capital expenditures	162,956	332,007	8,742	18,679	—	522,384

6. Other net income

	2009	2008
	US$'000	*US$'000*
Exchange gains, net	**—**	19,603
Interest income	**15,579**	17,307
Investment income	**5,296**	6,602
Gain on disposal of scrapped materials	**13,640**	13,265
Government grants	**33,395**	17,068
Others	**12,003**	8,582
	79,913	82,427

7. Profit before taxation

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

	2009	2008
	US$'000	US$'000
Finance costs		
Interest on bank and other borrowings		
wholly repayable within five years	**14,915**	31,168
Less: interest expense capitalised into property, plant and equipment	**(2,271)**	—
	12,644	31,168
Other items		
Depreciation	**196,569**	181,666
Amortisation:		
Prepaid lease payments	**2,048**	1,895
Intangible assets (included in other operating expenses)	**2,778**	1,968
Gain on disposal of financial assets at fair value through profit or loss	**—**	(1,707)

8. Taxation

	2009	2008
	US$'000	US$'000
Current tax – PRC Enterprise Income Tax		
Current year	**103,252**	60,023
Under provision in prior year	**430**	672
	103,682	60,695
Deferred taxation		
Origination and reversal of temporary differences, net	**4,696**	6,390
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**16,235**	23,100
Total tax charge for the year	**124,613**	90,185

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.

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% (2008: 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% (2008: 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.

9. Dividends

Dividends attributable to the year:

	2009	2008
	US$'000	*US$'000*
Final dividend proposed after the end of reporting period of US3.43 cents (2008: US2.33 cents) per ordinary share	**191,627**	130,172

At meeting held 22 March 2010, the directors recommended the payment of final dividend of US3.43 cents per ordinary share.

The proposed final dividends have not been recognised as dividend payables in the statement of financial position, but will be reflected as an appropriation of retained profits for the year ending 31 December 2010.

10. (a) Basic earnings per share

The calculation of earnings per share is based on the profit attributable to owners of the Company of US$383,207,000 for the year (2008: US$260,404,000) and the weighted average of 5,586,793,360 (2008: 5,588,264,856) ordinary shares in issue throughout the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to owners of the Company of US$383,207,000 for the year (2008: US$260,404,000). The share options are dilutive for 2009 and 2008 and are therefore included in the weighted average number of ordinary shares for the purposes of diluted earnings per share.

	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**	5,588,264,856
Effect of deemed issue of shares under the Company's share option scheme	**10,201,722**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,596,995,082**	5,588,264,856

11. 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 end of reporting period is as follows:

	2009	2008
	US$'000	*US$'000*
0 - 90 days	**105,985**	117,008
Over 90 days	**9,606**	12,936
	115,591	129,944

12. Trade Payables

The ageing analysis of trade payables as at the end of reporting period is as follows:

	2009	2008
	US$'000	*US$'000*
0 - 90 days	**586,944**	371,817
Over 90 days	**35,253**	32,108
	622,197	403,925

13. Capital Commitments

	2009	2008
	US$'000	*US$'000*
Contracted but not provided for	**168,497**	86,152

BUSINESS REVIEW

In 2009, the Group's turnover was US$5,081.113 million, an increase of 18.94% over 2008. The growth rates for turnover of instant noodle, beverage and bakery were 10.68%, 32.11% and 3.54% respectively. In the fourth quarter, the Group's turnover was US$1,042.758 million, 15.68% higher than the same period last year. The increase was mainly from sales growth in instant noodle and beverage.

Although the prices of raw materials such as flour, palm oil, sugar and PET resin continuously increased during the year, which resulted in relatively great cost pressure, the Group was able to offset the negative effect arising from the rise in production cost through enhancing the organization effectiveness, adjusting its product mix, enlarging the economic scale and effective control of expenses. The Group's gross margin further improved by 2.45 ppt. to 34.63% when compared to last year. During the year, the Group increased its expenses in advertising strategically and strengthened its sales network, in order to strengthen the Group's brand as the leader in the PRC market. Thus the distribution costs as percentage of total sales at 20.33%, had slightly increased 0.98 ppt, when compared to 2008's 19.35%. Other operating expenses increased by US$13.245 million to US$81.650 million mainly due to the increase in impairment loss of US$10.036 million resulted from the progressive replacement of older equipments. Finance costs decreased by 59.43% to US$12.644 million mainly due to the decrease in bank borrowings. During the year, the Group maintained a stable and healthy finance structure and a strong cash flow. In 2009 earnings before interest, tax, depreciation and amortization (EBITDA) was US$823.568 million and the profit attributable to owners of the Company was US$383.207 million, which had increased by 26.39% and 47.16% respectively when compared to last year. Earnings per share was US6.86 cents.

Instant Noodle Business

In recent years the instant noodle industry has entered a stage for complex structural changes. Consumers are less confident of the medium to lower end noodles. In response to the situation, as the leading brand in the industry, Master Kong began to focus on the work of "sustainable development of the industry". Besides accelerating product innovation, Master Kong also worked positively with other players to strengthen their awareness in production and quality control, in order to produce instant noodles of better quality at reasonable cost. In turn, the industry and its consumers will have healthy development. With the economic recovery in 2010, it is expected that the demand for instant noodles will grow noticeably.

In 2009, turnover for instant noodle business amounted to US$2,307.513 million, an increase of 10.68% from previous year and represented 45.41% of the Group's total turnover. Gross margin of instant noodle increased by 4.00 ppt. to 31.45% compared with last year, mainly due to the drop in price of palm oil when compared to 2008, the effective control of operating costs and enhancement of production efficiency. Also effective management of promotion cost also benefited the equity shareholders in having profit of the instant noodle business increased 66.66% from last year to US$253.114 million.

Master Kong's four classic instant noodle 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. The grand launch of "Noodles with Pickled Mustard Beef", one of the top-five favors, all over the country in September, was also received well by the market. Among the above flavors, "Noodles with Spicy Beef" had appealled to the vigorous and enthusiastic young group for "the vitality and charm of spicy", and created a new orange sensation. In order to vitalize regional catering culture and meet the different demands of consumers in different areas, Master Kong launched a total of 10 new flavors in different locations during the year. In South China, Master Kong developed the local market in Guangdong Province, launching the "Guangdong 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. "Mianba La Mian", being the annual promotional theme of "Microwave Cooked Noodles", has improved the flavor of its "Hot Pot Soup Noodles" series and 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-end noodle market segment, the Group has made "Fumanduo" the primary brand to achieve the strategic targets of maintaining growth in sales and enhancing product advantages and strengthening brand awareness continuously. The Group enhanced the performance-price ratio of the medium priced "Super Fumanduo", strengthening its leading brand position in the young customer segment by communicating the theme of "the New Power of Flavor". The sales of bowl noodles grew steadily after their introduction. The Group also developed "Rou Gu Wang", the medium priced noodle in bone soup base and upgraded the RMB1.0 bone soup noodle market to satisfy consumers' demand. The RMB 1.0 Fumanduo and the "Yi Wan Xiang" series built a strong foothold in the lower markets levels to counter other competing products and their sales have grew rapidly. "Fumanduo Fried Noodle" was launched in the southern region to open the new RMB 1.0 market to meet the demand of customers there who like eating noodles in summer, thus increasing the per capita number of packages consumed for local population. In the snack noodle market, the launching of new flavors led to the overall sales growth for snack noodle. Thus, the improved and refined product introductions have been effective in helping to develop the Group's low-end noodle market.

According to ACNielsen's latest survey on retails in December 2009, Master Kong's sales volume and value of instant noodles have 41.7% and 54.6% respectively of the market shares, of which noodles with high-end containers represented 69.3% of the market turnover and high-end packet noodles had 71.6% of the market turnover, steadfastly securing their leading positions for more than 10 years.

On the production front, the construction and introduction of advanced automatic new plants, as well as the adoption of the TPM, ISO9000, ISO1400 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. Through some 15 cost saving initiatives overhead expenditure decreased by 4.0%. The Group promoted strongly its internal logistics to stabilize the freight expenses and through the improved strategies above, Master Kong's leading position in the instant noodle market in the PRC was further consolidated.

Beverage Business

The beverage industry is such a large consumer market in the PRC that large international beverage groups have been attracted to enter the market and they have made rapid investments, enlarged bases and developed new products, resulting in a highly intensive competitive environment.

The Group markets RTD tea, bottled water and fruit juice as its major products. On the back of the efficient strategy of marketability and the comprehensive sales network, the Group achieved sales growth ahead of other brands and was one of the fastest growing beverage manufacturers for the year. In 2009, turnover for beverage business increased by 32.11% to US$2,541.962 million as compared to last year, representing 50.03% of the Group's total turnover. During the year, gross margin of beverage business increased by 0.68 ppt. to 36.87% and gross profit increased by 34.59% to US$937.235 million. Profit attributable to owners of the Company from the beverage business was US$114.009 million, an increase of 14.79% from last year.

Since Master Kong entered the drinks market some ten years ago, it has become the leading brand in the tea drinks market in the PRC. Master Kong's instant tea represents flavor, healthiness and varieties. During the year the Group launched new products such as Tie Guan Yin tea, Oolong tea and sugar free green tea, further expanding its market share in the tea drinks market. With more and more sub-categories of products, Master Kong further strengthens its position in the market. During the year, the promotional lucky draw activity of "One More Bottle", which was a sensation all over the country, stimulated tea drinks in the market and its consumption and made tea drinks the hottest category of drinks in the summer of 2009. This was not only meeting consumers demand, but also helping the development of the beverage industry.

With the shortage of water resources in the PRC, quality mineral water becomes scarcer, so mineralized water becomes the best alternative in the market, with an astonishing rise in demand. Enterprises have been attracted to enter the market and created a crazy low-price competitive market. Through advanced production technology, enhanced scale and economic efficiency, Master Kong maintains its social responsibility to provide consumers with professional, healthy, safe, affordable and convenient products.

Following the success of tea drinks, the promotional lucky draw activity of "One More Bottle" for the healthy and tasty Master Kong juice and "Daily C" was also launched. Consumers were able to enjoy the fun of trying their luck when opening the bottles and share the joy of winning the prize. Blackcurrant juice drink, a new product of "Daily C", was launched during the period. In addition, a sour plum drink was launched through online game marketing. With the help of online marketing, consumers may re-discover sour plum drinks and enjoy the essence and favors of traditional Chinese drinks.

Master Kong helps to enhance Chinese tea drinking and makes "tea-tasting" possible for the working population. Master Kong holds the leading position in the tea drinks market. The latest retail study by ACNielsen in December 2009 showed that sales volume of Master Kong's RTD tea products had a market share of 50.4%, which again is the leader in the market. Bottled water shared 21.4% 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 have built a broad market for Master Kong and commanded a market share of 16.6%, ranking second in the diluted fruit juice market.

Bakery Business

Turnover of the bakery business segment in 2009 amounted to US$155.232 million, representing an increase of 3.54% compared to last year and 3.06% of the Group's total turnover. Gross margin for Bakery business increased by 2.29 ppt. to 40.68% and profit attributable to owners of the Company increased by 19.2% to US$7.034 million. The improved performance is the result of the enhancement of production efficiency and the effective control of operating expenses. During the year, turnover for core product "3+2" sandwich cracker increased by 20.62% when compared to last year.

According to ACNielsen's survey in December 2009, Master Kong ranked second in the sandwich cracker market with market share of 25.5% in sales value. Master Kong's egg rolls has market share of 25.2% and ranked number one in the market.

Bakery business will continue to expand with growth of sandwich cracker, modernization of traditional foods, strengthening of core production technologies and investments 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 Foods Co., Ltd. is a wholly-owned subsidiary of the Company and principally engaged in the manufacture and sale of refrigerated products. The disposal has been completed in July 2009.

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 31 December 2009, the Group's cash and bank deposits totalled US$520.189 million, an increase of US$135.225 million from the previous year. The Group's total assets and total liabilities amounted to approximately US$3,407.693 million and US$1,498.629 million respectively, representing increases of US$446.177 million and US$75.751 million respectively when compared to 31 December 2008. The debt ratio decreased by 4.07 ppt. to 43.98% as compared with the same period in 2008.

At the end of 2009, the Group's total borrowings decreased by US$232.011 million to US$335.070 million. The borrowings were mainly used for production facilities and working capital. The Group's proportion of the total borrowings denominated in foreign currencies and Renminbi were 87% and 13% respectively, as compared with 62% and 38% respectively last year. The proportion between long-term loans and short-term loans was 35%: 65%, as compared with 24%: 76% for 2008. The Group's transactions were mainly denominated in Renminbi. During the year, there has been no significant adverse impact on the Group arising from exchange rate fluctuations.

Financial Ratio

	For the year ended 31 December	
	2009	2008
Net Profit margin (Profit attributable to owners of the Company)	**7.54%**	6.10%
Finished goods turnover	**10.22 Days**	9.45 Days
Trade receivables turnover	**8.82 Days**	10.44 Days
Gearing ratio (Net debt to shareholders' equity)	**-0.13 Times**	0.15 Times
Debt ratio (Total liabilities to total assets)	**43.98%**	48.05%

QUALITY ASSURANCE

Master Kong has always persisted in the principle of "Safety First, Quality Priority" to engage in the production and quality control of its products. All of its companies have obtained the QS certificates and all instant noodle factories have obtained ISO 9001: 12000 certificate. As the top brand name in the instant noodle industry, Master Kong has acted as the ultimate pioneer for the food safety of the industry. In order to continuously enhance the safety standards of food quality, the Group collected new laws and regulations from home and abroad, actively focused on the latest development of the industry and made timely predicted response on the basis of the perfection of the food safety management system. Starting from the source management, the Group strengthened process management and control to ensure the quality and safety of the Group's products and maintain consumers' highly confidence in the brand name of Master Kong. In respect of drafting HACCP plans, the Group implemented the control and correction system over CCP and improved the verification process to ensure the scientific management. 17 instant noodle factories have obtained HACCP certificate and 3 factories have gained the TPM award.

The 15 beverage synthetic factories under the Group's beverage business have obtained relevant international certificates concerning food quality/safety, such as ISO9000:2000 Certificate of International Quality Management System, HACCP and ISO22000:2005 Food Safety Management Systems. Each production factory continuously launched the systems including 5S and TPM to ensure that products were produced according to the requirements of food safety and circumstance of high hygiene standards. Meanwhile, the Group strengthened the management of supply chain, and ensured safety management could be implemented for the food from farm to dinner table through suppliers' instructions and evaluation as well as traceability management.

Apart from product development and basic research, the test and analysis department of precision laboratory of the Group's Research and Development Centre ("R&D Centre") began to prepare for the application for the Capability for Laboratory Accreditation in September 2009. It is expected that the Group will obtain a CNAS certificate issued by the China National Accreditation Service for Conformity Assessment ("CNAS") in June 2010. We have more than 100 certificated projects, mainly including Basis of physical and chemical analysis, analysis for pesticide residues, detection of preservatives in food and analysis for additives and melamine, food content and amino acid composition.

PRODUCTION SCALE

In respect of the instant noodle business, in 2009, we established a new production base in Tianjin with 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. New factories in Chengdu and Nanjing have also commenced production during the year. These plants provided strong support for our future development and growth and strengthened the Group's leading position in the instant noodle market. Beverage business continued to expand its production in Liuzhou. The plant has commenced production in 2009 which further enhanced the Group competitiveness in the beverage market.

HUMAN RESOURCES

As at 31 December 2009, the Group employed 50,023 (2008: 49,089) employees.

In 2009, Tingyi (Cayman Islands) Holding Corp. continued to enhance its organizational capacity in four areas, namely talent, system, technology and team to produce results. With careful talent selection and tailor made trainings, the Group strives to retent talents of senior and medium ranked staff for the long term benefit of the Group.

The Group refined the talent-deployment policy, improved the Employees Manual, clearly defined the talent specifications and talent-deployment standards, so that the selection of talents meets the development requirements of the Group. The Group put emphasis on the training of officers in key positions, and provided systematic training in several aspects, including self-management, management of subordinates and enterprise management, so as to enhance their management and leadership skills. The Group also established a talent retention mechanism at all levels in order to train and retain talents for key positions. The Group planned to adopt a more attractive salary and welfare system, implement a talent-retention policy to raise the centripetal force of key employees, as well as establish the "Ting Hsin International Group – Master Kong Waseda Scholarship", subsidizing 425 students to study for the master's degree at Waseda University in Japan within five years, as part of its objectives of fulfilling its social responsibilities.

Master Kong will continue to pursue in the talent-deployment policy of diligence, honesty and ability, with the mission of "nurturing first-class talents, creating top-grade products, becoming the excellent enterprise, community commitment and sustainable operation", and strive to continue to achieve better results.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

Throughout the year ended 31 December 2009, 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 2009. 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

Looking ahead, the global economic recovery will likely be a slow and risky process in 2010 and the short term. However, China's economy will likely continue to maintain a stable and healthy growth but its economic structure may experience some changes. Due to the strength of China's export industry, the export trade volume in the coming year is anticipated to grow progressively and will no longer be a burden on the economic growth.

With the rapid recovery of the domestic economy and the upcoming World Expo 2010 Shanghai, the world will focus on China again. Leading international food giants will set off fevers in investment into China. The competition in the trade will become keener. At the same time, with consumers' demand for better quality of products and the prices of raw materials continuing to rise, we will face more severe cost pressures. On the back of the Group's strong leading position in the market of the PRC, we shall regard the world's top food enterprises as our "imaginary rivals", set a clear medium term development objective, boost staff's enthusiasm and strive to maintain the long-term high growth of the Group.

In order to extend the Group's objective of high growth and cater for the rapid growth of the large instant noodles and drinks markets in the PRC, the Group's capital investment for 2010 will be about US$500 million. In 2010, the Group will strive to remain its leading position in high-end noodles and launch new instant products on a timely basis. The Group will continue to expand its market share regularly in low-end noodle market in line with the Company's overall strategy. In the beverage business, facing the intense competition, the Group will strengthen efforts in investment in order to maintain a rapid sales growth and expand its market share. In 2010, we will launch more new products and strengthen our competitive advantages in the soft drinks market. In the bakery business, we will strengthen our efforts in research and development, and launch differentiated products so as to speed up the development of the bakery business.

With the risk of inflation, the prices of raw materials for food manufacturing in the food industry will likely continue to rise in 2010. The Group will continue to make the best of its advanced production facilities to lower the unit production cost and maintain stable gross profits. With the economic recovery, as well as the healthy growth trend of the overall consumer goods market in the PRC, we are reasonably confident that turnover and EBITDA will continue to achieve a double-digit growth in 2010. With its excellent operation team, the Group shall continue to promote the awareness and recognition of the brand of Master Kong, continue to expand its brand impact, further strengthen its products' leading positions in the market of the PRC and drive a continuous and steady growth in the future.

TAIWAN DEPOSITARY RECEIPTS

The transfer of 190 million shares in the share capital of the Company beneficially owned by the Company's major shareholder Ting Hsin (Cayman Islands) Holding Corp. to the depositary bank for the Company's Taiwan depositary receipts ("TDR") for the issuance and offering of 380 million units of TDR in Taiwan. The TDRs have listed on the Taiwan Stock Exchange Corporation on 16 December 2009 and trading of the TDRs will commence on the Taiwan Stock Exchange Corporation on the same day.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

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 are 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 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, 22 March 2010

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

* *For identification purposes only*