康師傅控股有限公司*

TINGYI (CAYMAN ISLANDS) HOLDING CORP.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 322)

THIRD QUARTERLY RESULTS FOR THE THREE MONTHS AND NINE MONTHS ENDED 30TH SEPTEMBER 2013

SUMMARY

	For the three months ended 30 September			For the nine months ended 30 September		
US$'000	**2013**	**2012 (Restated)**	**Change**	**2013**	**2012 (Restated)**	**Change**
• Turnover	3,389,762	2,945,581	↑ 15.08%	8,812,557	7,478,940	↑ 17.83%
• Gross margin	32.58%	31.32%	↑ 1.26 ppt	30.91%	30.41%	↑ 0.5 ppt
• Gross profit of the Group	1,104,345	922,432	↑ 19.72%	2,724,276	2,274,037	↑ 19.80%
• EBITDA	471,698	399,856	↑ 17.97%	1,054,268	1,134,488	↓ 7.07%
• Profit for the period	278,453	212,601	↑ 30.97%	523,187	635,735	↓ 17.70%
• Profit – after excluding gain on bargain purchase	278,453	212,601	↑ 30.97%	523,187	445,153	↑ 17.53%
• Profit attributable to owners of the Company	185,891	157,007	↑ 18.40%	382,546	443,717	↓ 13.79%
• Profit attributable to owners – after excluding gain on bargain purchase	185,891	157,007	↑ 18.40%	382,546	348,417	↑ 9.80%
• Earnings per share (US cents)						
Basic	3.32	2.81	↑ 0.51 cents	6.84	7.94	↓ 1.10 cents
Diluted	3.31	2.80	↑ 0.51 cents	6.82	7.91	↓ 1.09 cents

At 30 September 2013, cash and cash equivalents was US$1,587,728,000 and gearing ratio was -0.03 times.

2013 THIRD QUARTERLY RESULTS

The Board of Directors of Tingyi (Cayman Islands) Holding Corp. (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 30 September 2013 together with the restated comparative figures for the corresponding period in 2012. These unaudited condensed consolidated 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 2013 (Unaudited)

	Note	July to September 2013	January to September 2013	July to September 2012 (Restated)	January to September 2012 (Restated)
		US$'000	*US$'000*	*US$'000*	*US$'000*
Turnover	3	3,389,762	8,812,557	2,945,581	7,478,940
Cost of sales		(2,285,417)	(6,088,281)	(2,023,149)	(5,204,903)
Gross profit		1,104,345	2,724,276	922,432	2,274,037
Other revenue and other net income		51,643	159,327	37,382	291,406
Distribution costs		(692,780)	(1,823,065)	(562,519)	(1,424,381)
Administrative expenses		(93,518)	(267,452)	(89,610)	(232,034)
Other operating expenses		(9,655)	(55,937)	(14,259)	(58,646)
Finance costs	6	(9,322)	(28,478)	(12,344)	(25,639)
Share of results of associates and jointly controlled entities		9,294	15,073	7,052	11,871
Profit before taxation	6	360,007	723,744	288,134	836,614
Taxation	7	(81,554)	(200,557)	(75,533)	(200,879)
Profit for the period		278,453	523,187	212,601	635,735
Attributable to					
Owners of the Company		185,891	382,546	157,007	443,717
Non-controlling interests		92,562	140,641	55,594	192,018
Profit for the period		278,453	523,187	212,601	635,735
Earnings per share	8				
Basic		3.32 cents	6.84 cents	2.81 cents	7.94 cents
Diluted		3.31 cents	6.82 cents	2.80 cents	7.91 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Three Months and Nine Months Ended 30 September 2013 (Unaudited)

	July to September 2013	January to September 2013	July to September 2012 (Restated)	January to September 2012 (Restated)
	US$'000	*US$'000*	*US$'000*	*US$'000*
Profit for the period	278,453	523,187	212,601	635,735
Other comprehensive income				
Items that will not be reclassified subsequently to profit and loss:				
Actuarial gain on defined benefit obligations	–	–	1,754	5,262
Items that are or may be reclassified subsequently to profit and loss:				
Exchange differences on consolidation	18,571	72,869	33,628	7,079
Fair value changes in available-for-sale financial assets	–	11,173	8,100	3,074
Reclassification adjustments relating to available-for-sale financial assets disposed of in the period	–	(14,397)	4,656	4,656
	18,571	69,645	46,384	14,809
Other comprehensive income for the period, net of tax	18,571	69,645	48,138	20,071
Total comprehensive income for the period, net of tax	297,024	592,832	260,739	655,806
Total comprehensive income attributable to:				
Owners of the Company	199,543	432,538	189,664	456,654
Non-controlling interests	97,481	160,294	71,075	199,152
	297,024	592,832	260,739	655,806

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2013

	Note	At 30 September 2013 (Unaudited) *US$'000*	At 31 December 2012 (Restated) *US$'000*	At 1 January 2012 (Restated) *US$'000*
ASSETS				
Non-current assets				
Property, plant and equipment		5,403,087	5,001,736	4,029,872
Intangible assets		28,246	28,811	–
Interests in jointly controlled entities		76,939	63,114	–
Interests in associates		25,618	21,324	–
Prepaid lease payments		305,183	284,040	186,276
Available-for-sale financial assets		23,077	55,032	104,422
Deferred tax assets		50,942	50,774	52,176
		5,913,092	5,504,831	4,372,746
Current assets				
Financial assets at fair value through profit or loss		24,977	640	560
Inventories		423,616	478,113	312,562
Trade receivables	10	382,422	233,104	155,040
Prepayments and other receivables		424,985	418,677	367,814
Pledged bank deposits		17,577	7,673	9,662
Bank balances and cash		1,570,151	830,225	590,390
		2,843,728	1,968,432	1,436,028
Total assets		8,756,820	7,473,263	5,808,774

	Note	At 30 September 2013 (Unaudited) US$'000	At 31 December 2012 (Restated) US$'000	At 1 January 2012 (Restated) US$'000
EQUITY AND LIABILITIES				
Capital and reserves				
Issued capital		27,978	27,964	27,951
Reserves		2,780,517	2,514,909	2,052,128
Total capital and reserves attributable to owners of the Company		2,808,495	2,542,873	2,080,079
Non-controlling interests		1,081,686	946,312	586,521
Total equity		3,890,181	3,489,185	2,666,600
Non-current liabilities				
Long-term interest-bearing borrowings		924,475	984,761	549,382
Other non-current liabilities		273	220	—
Employee benefit obligations		28,831	26,120	33,730
Deferred tax liabilities		192,020	178,466	131,092
		1,145,599	1,189,567	714,204
Current liabilities				
Trade payables	11	1,646,798	1,043,295	974,113
Other payables		1,341,643	1,110,292	660,995
Current portion of interest-bearing borrowings		571,651	499,711	700,695
Advance payments from customers		74,407	82,294	66,501
Taxation		86,541	58,919	25,666
		3,721,040	2,794,511	2,427,970
Total liabilities		4,866,639	3,984,078	3,142,174
Total equity and liabilities		8,756,820	7,473,263	5,808,774
Net current liabilities		877,312	826,079	991,942
Total asset less current liabilities		5,035,780	4,678,752	3,380,804

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The Directors are responsible for the preparation of the Group's unaudited condensed consolidated third quarterly financial statements. These condensed consolidated 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 consolidated third quarterly financial statements should be read in conjunction with the 2012 annual financial statements. The accounting policies adopted in preparing the condensed consolidated third quarterly financial statements for the three months and nine months ended 30 September 2013 are consistent with those in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except for the adoption of the new/revised standard of Hong Kong Financial Reporting Standards ("HKFRSs") which are relevant to the Group's operation and are effective for the Group's financial year beginning on 1 January 2013:

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012)
HKAS 19 (2011)	Employee Benefits (effective for annual periods beginning on or after 1 January 2013)
HKAS 27 (2011)	Separate Financial Statements (effective for annual periods beginning on or after 1 January 2013)
HKAS 28 (2011)	Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2013)
HKFRS 10	Consolidated financial statements (effective for annual periods beginning on or after 1 January 2013)
HKFRS 11	Joint Arrangements (effective for annual periods beginning on or after 1 January 2013)
HKFRS 12	Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2013)
Amendments to HKFRS 10, HKFRS 11, HKFRS 12	Additional transition relief — Consolidated financial statements, Joint Arrangements, Disclosures of Interests with Other Entities (effective for annual periods beginning on or after 1 January 2013)
HKFRS 13	Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)
Various HKFRSs	Annual Improvements Project — 2009-2011 Cycle (effective for annual periods beginning on or after 1 January 2013)
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013)

The adoption of these amendments to HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior years except for HKAS 19 (2011).

2. **Changes in accounting policies**

HKAS 19 (2011): Employee Benefit

The new standard introduces a number of amendments to the accounting for employee benefits. Among them, HKAS 19 (2011) eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit obligations could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income within equity. In addition, under the revised standard, all past service costs (including unvested past service costs) are required to be recognised immediately in profit or loss. The revised HKAS 19 (2011) has been effective as from 1 January 2013, and retrospective adoption is required. The effects of the adoption of these amendments are as follows:

	As previously reported *US$'000*	**Effect of the adoption of HKAS 19 (2011)** *US$'000*	**As restated** *US$'000*
Condensed consolidated income statement for the three months ended 30 September 2012:			
Administrative expenses	90,757	(1,147)	89,610
Profit for the period	211,454	1,147	212,601
Attributable to:			
Owners of the Company	155,860	1,147	157,007
Non-controlling interests	55,594	–	55,594
Condensed consolidated statement of comprehensive income for the three months ended 30 September 2012:			
Actuarial gain recognised for defined benefit plan	–	1,754	1,754
Total comprehensive income for the period	257,838	2,901	260,739
Attributable to:			
Owners of the Company	186,763	2,901	189,664
Non-controlling interests	71,075	–	71,075
Earnings per shares for the three months ended 30 September 2012:			
Basic	US2.78 cents	US0.03 cents	US2.81 cents
Diluted	US2.78 cents	US0.02 cents	US2.80 cents
Condensed consolidated income statement for the nine months ended 30 September 2012:			
Administrative expenses	235,475	(3,441)	232,034
Profit for the period	632,294	3,441	635,735
Attributable to:			
Owners of the Company	440,276	3,441	443,717
Non-controlling interests	192,018	–	192,018
Condensed consolidated statement of comprehensive income for the nine months ended 30 September 2012:			
Actuarial gain recognised for defined benefit plan	–	5,262	5,262
Total comprehensive income for the period	647,103	8,703	655,806
Attributable to:			
Owners of the Company	447,951	8,703	456,654
Non-controlling interests	199,152	–	199,152
Earnings per shares for the nine months ended 30 September 2012:			
Basic	US7.87 cents	US0.07 cents	US7.94 cents
Diluted	US7.85 cents	US0.06 cents	US7.91 cents
Condensed consolidated statement of financial position as at 31 December 2012:			
Employee benefit obligations	18,060	8,060	26,120
Reserves	2,522,969	(8,060)	2,514,909
– Remeasurement reserve	–	(14,288)	(14,288)
– Retained profits	1,559,147	6,228	1,565,375
Condensed consolidated statement of financial position as at 1 January 2012:			
Employee benefit obligations	14,064	19,666	33,730
Reserves	2,071,794	(19,666)	2,052,128
– Remeasurement reserve	–	(21,304)	(21,304)
– Retained profits	1,307,047	1,638	1,308,685

3. **Turnover**

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

4. **Segment information**

Segment results

	For the Nine Months ended 30 September 2013					
	Instant noodles (Unaudited) *US$'000*	**Beverages (Unaudited)** *US$'000*	**Instant food (Unaudited)** *US$'000*	**Others (Unaudited)** *US$'000*	**Inter-segment elimination (Unaudited)** *US$'000*	**Group (Unaudited)** *US$'000*
Turnover						
Revenue from external customers	3,145,846	5,409,300	153,818	103,593	–	8,812,557
Inter-segment revenue	40	810	229	75,417	(76,496)	–
Segment turnover	3,145,886	5,410,110	154,047	179,010	(76,496)	8,812,557
Segment results after finance costs	370,895	325,429	(7,894)	24,833	(4,592)	708,671
Share of results of associates and jointly controlled entities	–	16,847	(1,774)	–	–	15,073
Profit (Loss) before taxation	370,895	342,276	(9,668)	24,833	(4,592)	723,744
Taxation	(108,004)	(82,785)	410	(10,178)	–	(200,557)
Profit (Loss) for the period	262,891	259,491	(9,258)	14,655	(4,592)	523,187

	For the Nine Months ended 30 September 2012 (Unaudited)					
	Instant noodles (Restated) *US$'000*	**Beverages (Restated)** *US$'000*	**Instant food (Restated)** *US$'000*	**Others (Restated)** *US$'000*	**Inter-segment elimination (Restated)** *US$'000*	**Group (Restated)** *US$'000*
Turnover						
Revenue from external customers	2,910,602	4,326,542	177,841	63,955	–	7,478,940
Inter-segment revenue	765	1,393	72	75,795	(78,025)	–
Segment turnover	2,911,367	4,327,935	177,913	139,750	(78,025)	7,478,940
Segment results after finance costs	368,545	255,541	4,034	10,279	(4,238)	634,161
Share of results of associates and jointly controlled entities	–	11,871	–	–	–	11,871
Gain on bargain purchase, net of direct expenses related to acquisition	–	190,582	–	–	–	190,582
Profit before taxation	368,545	457,994	4,034	10,279	(4,238)	836,614
Taxation	(110,513)	(86,238)	(1,821)	(2,307)	–	(200,879)
Profit for the period	258,032	371,756	2,213	7,972	(4,238)	635,735

Segment result represents the profit earned or loss incurred after finance cost by each segment. Segment information is prepared 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.

4. Segment information *(continued)*

Segment assets and liabilities

	At 30 September 2013					
	Instant noodles (Unaudited) *US$'000*	**Beverages (Unaudited)** *US$'000*	**Instant food (Unaudited)** *US$'000*	**Others (Unaudited)** *US$'000*	**Inter-segment elimination (Unaudited)** *US$'000*	**Group (Unaudited)** *US$'000*
Segment assets	3,279,746	5,246,953	175,606	787,963	(884,059)	8,606,209
Interests in jointly controlled entities	—	54,569	22,370	—	—	76,939
Interests in associates	—	25,618	—	—	—	25,618
Unallocated assets						48,054
Total assets						8,756,820
Segment liabilities	1,202,286	3,282,441	68,172	1,120,193	(835,284)	4,837,808
Unallocated liabilities						28,831
Total liabilities						4,866,639

	At 31 December 2012					
	Instant noodles (Restated) *US$'000*	**Beverages (Restated)** *US$'000*	**Instant food (Restated)** *US$'000*	**Others (Restated)** *US$'000*	**Inter-segment elimination (Restated)** *US$'000*	**Group (Restated)** *US$'000*
Segment assets	2,916,279	4,328,382	188,739	573,601	(673,848)	7,333,153
Interests in jointly controlled entities	—	49,404	13,710	—	—	63,114
Interests in associates	—	21,324	—	—	—	21,324
Unallocated assets						55,672
Total assets						7,473,263
Segment liabilities	968,816	3,032,460	82,951	927,777	(1,054,046)	3,957,958
Unallocated liabilities						26,120
Total liabilities						3,984,078

Segment assets include all assets with the exception of available-for-sale financial assets, financial assets at fair value through profit or loss, interest in associates and interests in jointly controlled entities. Segment liabilities include all liabilities with the exception of employee benefit obligations.

5. 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.

6. Profit before taxation

This is stated after charging:

	July to September 2013 (Unaudited) *US$'000*	January to September 2013 (Unaudited) *US$'000*	July to September 2012 (Unaudited) *US$'000*	January to September 2012 (Unaudited) *US$'000*
Finance costs				
Interest on bank and other borrowings wholly repayable within five years	9,322	28,478	12,344	25,639
Other items				
Depreciation	116,620	334,761	110,568	300,237
Amortisation	1,915	5,668	1,584	3,924

7. Taxation

	July to September 2013 (Unaudited) *US$'000*	January to September 2013 (Unaudited) *US$'000*	July to September 2012 (Unaudited) *US$'000*	January to September 2012 (Unaudited) *US$'000*
Current tax – PRC Enterprise income tax				
Current period	67,937	167,316	62,383	169,732
Deferred taxation				
Origination and reversal of temporary differences, net	867	6,639	2,059	5,974
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	12,750	26,602	11,091	25,173
Total tax charge for the period	81,554	200,557	75,533	200,879

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

Hong Kong Profits Tax has not been provided as the Group entities either incurred losses for taxation purpose or had no assessable profit subject to Hong Kong Profits Tax for the three months and nine months ended September 2013 and 2012.

The applicable PRC enterprise income tax for the PRC subsidiaries is at the statutory rate of 25% (2012: 25%).

According to the Tax Relief Notice (Cai Shui [2011] no. 58) 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 2011 to 31 December 2020. Accordingly, certain subsidiaries located in the Western Region are entitled to a preferential rate of 15% (2012: 15%).

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends distributed to foreign investors by the foreign investment enterprises established in the 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, associates and jointly controlled entities, the applicable rate is 10%. Deferred tax liability is provided on 50% of post-2007 earnings of the Group's PRC subsidiaries that are expected to be distributable in the foreseeable future. The remaining 50% of post-2007 earnings of the Group's PRC subsidiaries and the earnings of the Group's PRC associates and jointly controlled entities, which are held indirectly through PRC subsidiaries that are not expected to be distributable in the foreseeable future would be subject to additional taxation if they are distributed.

8. Earnings per share

a) Basic earnings per share

	July to September 2013 (Unaudited)	January to September 2013 (Unaudited)	July to September 2012 (Restated)	January to September 2012 (Restated)
Profit attributable to ordinary shareholders (US$' 000)	185,891	382,546	157,007	443,717
Weighted average number of ordinary shares ('000)	5,594,476	5,593,898	5,592,437	5,591,629
Basic earnings per share (US cents)	3.32	6.84	2.81	7.94

b) Diluted earnings per share

	July to September 2013 (Unaudited)	January to September 2013 (Unaudited)	July to September 2012 (Restated)	January to September 2012 (Restated)
Profit attributable to ordinary shareholders (US$' 000)	185,891	382,546	157,007	443,717
Weighted average number of ordinary shares (diluted) ('000)				
Weighted average number of ordinary shares ('000)	5,594,476	5,593,898	5,592,437	5,591,629
Effect of the Company's share option scheme	15,198	16,680	19,541	19,918
Weighted average number of ordinary shares for the purpose of calculated diluted earnings per share	5,609,674	5,610,578	5,611,978	5,611,547
Diluted earnings per share (US cents)	3.31	6.82	2.80	7.91

9. Dividend

The Board of Directors does not recommend the payment of an interim dividend for the nine months ended 30 September 2013 (2012: nil).

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 aging analysis of the trade receivables (net of impairment losses for bad and doubtful debts) based on invoice date, at the end of the reporting period is as follows:

	At 30 September 2013 (Unaudited) *US$'000*	At 31 December 2012 (Audited) *US$'000*
0 - 90 days	369,988	215,991
Over 90 days	12,434	17,113
	382,422	233,104

11. Trade payables

The aging analysis of trade payables based on invoice date at the end of the reporting period is as follows:

	At 30 September 2013 (Unaudited) *US$'000*	At 31 December 2012 (Audited) *US$'000*
0 - 90 days	1,611,028	1,019,916
Over 90 days	35,770	23,379
	1,646,798	1,043,295

12. Approval of third quarterly financial statements

The third quarterly financial statements of 2013 were approved by the board of directors on 18 November 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

The Gross Domestic Product (GDP) of the People's Republic of China (the "PRC") for the third quarter increased by 7.8% compared to the same period last year, which is the highest this year and higher than 7.5% for the second quarter and 7.7% for the first quarter. Meanwhile, the price level in the third quarter rose. For the first three quarters in 2013, the Consumer Price Index (CPI) increased by 2.5% year on year, which is 0.1 ppt. increased when comparing with that of the first half of the year. CPI in September increased by 3.1% year on year; food prices increased by 6.1% year on year and increased by 1.5% quarter on quarter; non-food prices increased by 1.6% year on year and increased by 0.4% quarter on quarter. The Producer Price Index (PPI) in September decreased by 1.3% year on year and was negative for 19 consecutive months. The total demand remained weak while market competition remained intense. The overall operating environment was full of challenges. However, the hot weather in the third quarter was benefit to the beverage industry to some extent. The beverage business of the Group posted remarkable performance in the third quarter, benefiting from its adequate preparations made before the peak seasons. The performance of the instant noodle business showed moderate growth.

In the third quarter of 2013, the Group's turnover increased by 15.08% to US$3,389.762 million year-on-year. Turnover for instant noodle and beverage grew by 11.07% and 18.53% respectively, instant food dropped by 14.04% year on year. Turnover for the three segments was accounting for 34.01%, 63.72% and 1.62% of the Group's total turnover. Benefited from the price decline in some of the raw materials and the increase of utilization rate during the peak season for beverage, the gross profit margin of the Group in the third quarter of 2013 increased by 1.26 ppt. to 32.58% and gross profit grew by 19.72% as compared to same period in last year. To strengthen the Group's brand and push consumption, distribution costs as a percentage of sales increased by 1.34 ppt. to 20.44%. EBITDA and profit attributable to owners of the Company in the third quarter of 2013 increased by 17.97% to US$471.698 million and grew by 18.40% to US$185.891 million respectively year on year. During the quarter, the basic Earning per Share increased by US0.51 cents to US3.32 cents as compared to same period in last year.

FOOD BUSINESS

Instant Noodles

In the third quarter of 2013, the Group's instant noodle continued to maintain growth with a year-on-year increase by 11.07% to US$1,152.941 million, accounting for 34.01% of the Group's total turnover. To maintain the healthy growth for the instant noodle market, efforts were made to benefit consumer's satisfaction and stimulate consumption through the enhancement of quality and quantity of products. During the period, gross margin for instant noodle dropped by 1.23 ppt. to 29.77% year on year and grew by 1.82 ppt. quarter on quarter respectively. In the third quarter of the year, profit attributable to shareholders for the instant noodle business was US$108.205 million, representing an increase of 0.99% year-on-year.

According to AC Nielsen's latest survey, in September 2013, Master Kong's instant noodles recorded a market share of 46.3% and 56.5% respectively in terms of sales volume and value of instant noodle (survey in June 2013, the instant noodles recorded a market share of 44.1% and 55.4% respectively in terms of sales volume and value of instant noodle) and remained the top player in the market.

The Group's Braised Beef Noodle, being the first brand in the domestic instant noodle, is a good taste with which consumers are most familiar. In July, the product was fully upgraded and marketed as "It is more nutritious to have meat and egg" and "Yu• Quan", the singer of the most popular song "I am a singer" in 2013 and a classical group formed 15 years ago, was invited to act as the brand ambassador to disseminate the theme of Braised Beef Noodle being always ready to serve, persistence in dreams and supporting you all the way. Besides, efforts were made to drive the steady improvement in sales results by rejuvenating and vitalizing the brand.

For the flavour of pickled mustard, the Master Kong's pickled mustard series engaged Xu Zheng and Wang Baoqiang, the super-popular star group of "Tai Jiong Group", as ambassadors to disseminate the product differentiation theme of "It is cool to have the sour flavour but it is even cooler to have free ham sausage and doubled pickled mustard". During the third quarter, the year-on-year growth rate of the product series continued to lead the major competing products, which effectively curbed their growth space and undermined their leading edge in pickled mustard. The "Homemade Mushroom Pack" was added to the "Lu Xiang Beef" series which was officially named as Homemade Mushroom Lu Xiang Beef Noodle. Market response was good following the launch of the innovative compound flavours. Master Kong's market share in the braised pork market has exceeded its major competitors, making it being the first brand of the flavour.

Under the niche of the existing strong product advantages, the Group continued to launch innovative products such as brittle kelp, preserved vegetables, crisp bamboo shoots and braised beef noodle with spicy cabbage, which all performed satisfactorily after being launched for sale in the market and all achieved the sales targets ahead of schedule in the third quarter. The marketing focus for new product categories during the quarter was increasing the delivery of goods to business districts and increasing the sessions for the foretaste promotion. For the local brand flavours, gravy noodle with tomato and egg and sour and spicy beef noodle with mature vinegar flavour products grew rapidly in the north after enhancement. The Pickled Chilli series, which was launched for sale in the south, occupied part of the pickled mustard market with its refreshing pickle bubble sour and brittle kelp beef was expanded into the northwest.

Meanwhile, the Group also focused efforts on the development of the fried crispy noodle market and concentrated its efforts on operations by leveraging the beginning of a school semester. It managed to increase its market share in terms of sales volume from 12.3% in the second quarter to 16.0% in the third quarter, significantly narrowing the gap between it and the first and second competitors. The innovative product, "Cui Xuan Feng", was substantially unique and was well-received by consumers. Since the beginning of the fall semester, new fall and winter flavours and the new jumbo pack specification were further launched, with sales hitting a high record repeatedly.

In respect of management, second specialized training at the plant manager level was completed during the quarter to enhance management capability. The Group promoted production and sales enhancement, logistics improvement projects to increase the efficiency of production and sales coordination and further improve supply chain services. In respect of production, the focus was on enhancing product gross margin, steam energy saving projects etc. to increase plant competitiveness. During the quarter, the new second generation plant in Hangzhou was successfully completed and put into operation which become the largest instant noodle plant in the world with an annual production capacity of 5.8 billion units, providing consumers in East China with better products. Meanwhile, the Group actively implemented standardized operation to ensure quality and increase customer satisfaction.

In the third quarter of 2013, the CPI in China remained relatively stable ranging from 2.6% to 3.1% from July to September (2.4% for the first half year). Food prices remained the main factor causing the increase in the CPI. During the period, palm oil prices continued to decline while prices of other raw materials were basically stable. It is anticipated that the CPI may further increase in the fourth quarter and flour prices may tend to increase. In this regard, the Group will continue to focus on the development of our major brands, the launching of new products continuously, to increase market share, the effective cost control to increase of product gross margin, so as to satisfy market demand in a better way and continue the growth trend of the third quarter.

Instant Food

According to AC Nielsen, in the third quarter of 2013, the overall instant food market experienced a continued downturn. The biscuit market saw a decline in sales volume of 5.7% but an increase in sales value of 2.3% year on year. In particular, sales volume and sales value of sandwich cracker dropped by 8.9% and 3.8% respectively year on year.

In the third quarter of 2013, the turnover of the instant food business dropped by 14.04% to US$54.938 million year-on-year, representing approximately 1.62% of the Group's total turnover. Gross profit margin decreased by 1.16 ppt. to 38.39% and the investments on new business, resulting in depressed profits. During the quarter, instant food business recorded a loss of US$3.366 million.

According to AC Nielsen's latest survey, in September 2013, in terms of sales value, market share for Master Kong's egg rolls was 28.3%, ranked No. 1 in the market. Master Kong's sandwich cracker had a market share of 19.5%, ranked No. 2 in the sandwich cracker market.

In the fourth quarter, the Group's instant food business in part of the original category, will be more focused on three core categories in biscuits, egg rolls and muffin, to consolidate market share and increase profits. For the new product, the Group will continue to accelerate the progress of launching and promotion as well as focusing on key products to drive the sales of their category.

Master Kong's 3+2 brand carried out marketing with the new product of "Zhen Guo Xin Yu". This will be supported by advertising activities to increase brand popularity. For muffin, the focus will be still on the European style of "no stuffing" and the French style series and the penetration of the market distribution will be continued to enhance in major cities. For egg roll products, a gift box product specification will be added in the fourth quarter to meet the demand of the market during the Spring Festival holidays. In the future, the Group will focus on enhancing brand investment on a continued basis to upgrade its brand image supplemented by on-site promotional activities.

In respect of new products, e-commerce online operations were initiated following the launching of Calbee leisure puffed food in key regions and the theme activity of "FUN potato holidays, taste fresh prices" was started to increase brand recognition. In the future, its sales region will be expanded progressively, which will add a new source of sales growth to the instant food business. The introduction of potato leisure food has enriched the Group's products portfolio. As a result of the changes on the structure of channel and profit together with the cooperation from distributors, warm response is received from the market.

In addition, strategic cooperation and plans for instant food business with new business have also commenced in succession. The Group is applying for approval from the relevant authorities to establish a joint venture with Wakodo Co., Ltd. From beginning of the fourth quarter 2013, Wakodo infant formula will be successively launched in the top 10 cities across China through the Group's subsidiary Kong Jen (Tianjin) Trading Co., Ltd. Frozen meat products produced with the joint venture with Prima Meat Packers Ltd., will commence mass production in December and will be launched for sale in Shanghai and East China. In the future, the Group will increase the variety of instant food products through various kinds of cooperation to satisfy market demand in a more diversified way.

BEVERAGE BUSINESS

In the third quarter of 2013, benefited from the hot weather, festivals and holidays, the total retail sales amount of consumer goods were recovered quickly. The overall beverage market also showed a recovery trend. In the third quarter of the year, turnover of the beverage business increased by 18.53% to US$2,159.882 million as compared to the same period last year, representing 63.72% of the Group's total turnover. Gross profit margin increased by 2.69 ppt. year-on-year to 34.07%. Profit attributable to owners of the Company was sharply increased by 64.92% to US$80.186 million.

According to the latest retail research information from AC Nielsen in September 2013, in terms of sales volume, the market share of the Group in the Ready-To-Drink ("RTD") tea market and packaged water market were 53.6% and 25.6% respectively, remained the top leader in the market while facing intensive competition. The Group's diluted juice drink series gained 33.2% market share, ranked No.1 in the diluted juice drink market. According to the data of Canadean in September, in the third quarter, the Group's Pepsi carbonated drinks gained 38% market share and among cola products, the market share of Pepsi coke was 54.6%, continued its No.1 position in the market.

In respect of RTD tea, iced tea organized the campaigns of "Icy cool superstar meeting" and "Icy cool power super winner" and continued to utilize social media platforms such as microblog and WeChat to communicate with consumers. Green tea focused on "positive youthful energy and winning grand prize by cap opening" with 3.4 million participants. Jasmine tea implemented the romantic workshop of "meet Jasmine for a romantic life". The vigorous commencement of various activities in the air and on the ground boosted the sales of RTD tea, showing strong growth. Master Kong classic milk tea was promoted through "admire autumn scenery in tea aroma" and received unanimous praise from consumers.

In respect of packaged water, Master Kong's bottled water continued to supply products to consumers by upholding the philosophy of "drink safely, enjoy healthy". Under an intense market competition environment, the Group insisted on its quality commitment to consumers to continuously deepen innovation. The Group launched the Master Kong 350ml mineral water with modified bottle in the third quarter. By flexibly leveraging the advantages of the forces of products, brands and channels as well as utilizing flexible price strategies and promotional campaigns through ambassadors, the Group was able to grasp sales in peak seasons, increase equipment's utilization rate and enhance overall effectiveness, making it being one of the major profitable products. Through continued distribution promotion and the gradual transformation of whole box packaging into colour film packaging in the third quarter, Pepsi Aquafina Water immediately attracted the attention of consumers, achieving excellent brand showcasing effects.

In the fruit juice market, the Group continued to lead the popularity of traditional Chinese juices and won praise from consumers with innovative concepts and comprehensive fruit juice series products. For the Crystal Sugar Series, large pack products were launched. "Longan and Chinese wolfberry", a new member of the "New Taste for Traditional Drink" series, was newly launched in the market and star, Sun Li, was invited as an ambassador for Honey Pomelos of the "Traditional Fruit Mix" series. Nationwide sales promotion campaigns were launched for various products. Tropicana continued to launch TV commercials in the third quarter and organized the "Sunshine and Energy" free drink campaign on a large scale to support sales promotion among consumers, with sales achieving double-digit growth for three consecutive months. Accordingly, Master Kong's fruit juice brands (Master Kong juice, Fresh Daily C, Crystal Sugar Series, New Taste for Traditional Drink, Traditional Fruit Mix) and Pepsi's Tropicana ranked the first in terms of market share in the overall fruit juice market of China.

In respect of carbonated drinks, Pepsi Cola greatly drove sales of major packages during the peak seasons by leveraging its strong brand leadership, maintaining its leading position of the first cola brand in China. Through integrating local resources, the Group organized more than 200 concerts, musicales and presentations of different scales and sponsored top music festivals, which had a direct impact on the target consumer groups. Meanwhile, the launch and the comprehensive promotion of Pepsi limited edition music cans were again praised by customers and consumers. As for fruity carbonated drinks, Mirinda continued to maintain double-digit growth and further enhanced its leading edge relative to the second brand. By making full use of star resources, Mirinda made full efforts to build a major brand and increase the happy brand influence. With the third round of the themed TV commercial of "Happy Mirinda" keeping going online, combined with the meeting with the "Happy Family", approximately 80,000 consumers acquired a deep experience at the scene. Multimedia covered approximately 65 million people. Gatorade used the NBA brand platform to push consumer events to a climax.

In the third quarter, benefits from the Master Kong & PepsiCo alliance were gradually realized. The business scale of Pepsi beverages continued to expand and profits increased to a certain extent compared to the same period last year. Looking forward to the fourth quarter, which is a slack season for the beverage industry, we will still endeavor to explore and grasp market opportunities. We will further maximise and reinforce from the alliance between Master Kong & PepsiCo to realize the sharing of both advantages. We will launch new products that adapt to the season to balance seasonal promotion and sales. Meanwhile, we are also preparing some forward-looking strategies to actively deploy operations in 2014.

FINANCING

The Group continued to maintain a stable and healthy financial structure for working capital use through effective control of cash and bank, trade receivables, trade payables and inventories.

As at 30 September 2013, the Group's cash and cash equivalents totaled US$1,587.728 million, an increase of US$749.830 million from 31 December 2012. In addition, the Group's total assets and total liabilities amounted to approximately US$8,756.820 million and US$4,866.639 million respectively, these represented increases in US$1,283.557 million and US$882.561 million respectively compared to 31 December 2012 (restated). The debt ratio increased by 2.27 ppt. to 55.58% compared to 31 December 2012.

As at 30 September 2013, the Group's total borrowings increased by US$11.654 million to US$1,496.126 million. The Group's proportion of the total borrowings denominated in foreign currencies and Renminbi was 98% and 2% respectively, as compared to 88% and 12% respectively as at 31 December 2012. The proportion between the Group's long-term borrowings and short borrowings was 62% and 38% respectively, as compared to 66% and 34% respectively as at 31 December 2012. In addition, the transactions of most of the subsidiaries are mainly denominated in Renminbi. During the period, the appreciation in Renminbi against the US Dollar of 1.75% brought an exchange gain in aggregate of US$84.655 million, the exchange gain of US$11.786 million and US$72.869 million have been included in the income statement and exchange translation reserve respectively.

Financial Ratio

	As at 30 September 2013	As at 31 December 2012
Finished goods turnover	10.61 Days	12.11 Days
Trade receivables turnover	9.53 Days	7.69 Days
Current ratio	0.76 Times	0.70 Times
Debt ratio (Total liabilities to total assets)	55.58%	53.31%
Gearing ratio (Net debt to equity attributable to owners of the Company)	-0.03 Times	0.25 Times

HUMAN RESOURCES

As at 30 September 2013, the Group had 78,678 employees (79,437 employees at 31 December 2012). Tingyi continued to provide training and development to the talents as one of the missions of the Group by focusing on the long-term accumulation and nurturing of human resources. During the period under review, the Group continued to improve the selection and cultivation mechanism for reserves of human resources, personnel development channels were planned and implemented, human resources were stabilized and further developed. Meanwhile, plans for successor teams and development plans for human resources were implemented continuously to discover and train potential talents. Human-based principle was upheld to create a harmonious and positive working environment, and the overall management performance of the Group was enhanced effectively.

CORPORATE SOCIAL RESPONSIBILITY

Besides pursuing self corporate development continuously, the Group is also committed to contributing to society and achieving sustainable operation of the enterprise. In August 2013, being a benchmark enterprise for food safety, Master Kong was among the first to be awarded the plaque of "National Food Safety Science Education Base" by China Association for Science and Technology to disseminate food safety knowledge and concepts to the public. For 2013 Master Kong Creative Challenges, the Chenjiazhai Primary School reconstruction project was successfully selected as the champion in this year's competition. As college students spontaneously mobilized donations, as well as the impact of news covering the story of successfully reconstructing Chenjiazhai Primary School that led to wide repercussions in the community, the social influence of Creative Challenges was enhanced simultaneously. The champion team was also invited to pay a study visit to PepsiCo Foundation in the United States. The tournament will also appear on the international platform. Up to mid-October 2013, the tournament had created various kinds of media coverage with an advertising value of approximately RMB35 million.

AWARDS AND HONOURS

In July 2013, Campaign Asia-Pacific released the "2013 Top 1000 Brands of Asia" report. The five local brands of Master Kong, Bank of China, China Mobile, Tong Ren Tang and Haier were among the top 20 Chinese brands of Asia's top 1000 brands. On 29 August 2013, Forbes Asia announced "Fabulous 50" companies, the best of Asia Pacific's biggest listed companies. It's the sixth consecutive years that Tingyi (Cayman Islands) Holding Corp. named on the list. By receiving these honors, the competitiveness of the brand of Master Kong was recognized, what's more, we are encouraged to constantly endeavor, trying to provide consumers with more varieties of delicious and safe products in return for the trust and cherish by consumers.

PROSPECTS

In the fourth quarter of 2013, the economy of China will still be in a stage of facing a low inflation as well as a shrinking PPI, together with intensive competition and slack season for beverage, the overall operations will be very challenging. The Group will continue to leverage on the solid and rich infrastructure, well-established sales network and favourable market advantages to enhance brand value continuously, invest in product innovation capabilities to enrich product items and categories, further develop sales channels to increase penetration ability and maintain communications with consumers and strengthen the system on rapid response to market to stimulate per capita consumption in order to increase growth of sales, and in turn enhance the market leading position of the Group in all product categories. Meanwhile, production efficiency will be refined, quality management will be strictly controlled, food safety will be ensured, organization structure will be strengthened and training for talents will be provided to enhance the overall operation efficiency. Strong and sound financial conditions will be maintained to be well-prepared for capturing future business expansion opportunities. We firmly believe that the economy of China will develop along a stable and sound path, there will be enormous growth space for the instant food and beverage markets in China, and we are fully confident in the future prospects of the Group.

CORPORATE GOVERNANCE

The Code on Corporate Governance Practices (the "Old 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") was amended and revised as the Corporate Governance Code (the "CG Code") which became effective on 1 April 2012. We have, throughout the period ended 30 September 2013, complied with the code provisions of the Old Code and the CG Code as and when they were/are applicable and in force, except for the deviations from code provisions A.2.1 and A.4.1. The reasons for these deviations are explained below.

Code provision A.2.1

Code provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same person. Mr. Wei Ing-Chou currently assumes the role of both the Chairman and the Chief Executive Officer of the Company. 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 been gradually adopted appropriate measures to ensure that the Company's corporate governance practices comply with the Code. With effect from 1 January 2013, food and beverage business units have been established, executive officer of the two business units have been appointed to monitor and be responsible for the strategic planning and operations of their respective business units.

Code provision A.4.1

Code provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. Our Company deviates from this provision because the non-executive Directors and independent non-executive Directors of our Company do not currently have specific terms of appointment. However, the articles of association of our Company provide that all the Directors are subject to retirement by rotation at least once every three years and at each annual general meeting, one-third of the Directors for the time being or, if the number is not a multiple of three, then, the number nearest to but not less than one-third, shall retire from office by rotation and offer themselves for re-election. As such, the Board considers that sufficient measures have been put in place to ensure our Company's corporate governance practice in this aspect provides sufficient protection for the interests of shareholders to a standard commensurate with that of the code.

We will periodically review and improve our corporate governance practices with reference to the latest corporate governance developments.

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. Hiromu Fukada. 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. Hiromu Fukada. The Committee was set up to consider and approve the remuneration packages of the senior employees of the Group, including the terms of salary and bonus schemes and other long-term incentive schemes. The Committee also reviews the structure, size and composition of the Board from time to time and recommends to the Board on appointments of Directors and the succession 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
1 April 2010	15,044,000	1 April 2015 to 31 March 2020	$18.57	2,200,000
12 April 2011	17,702,000	12 April 2016 to 11 April 2021	$19.96	2,264,000
26 April 2012	9,700,000	26 April 2017 to 25 April 2022	$20.54	1,368,000
27 May 2013	11,492,000	27 May 2018 to 26 May 2023	$20.16	1,390,000

For the period of nine months ended 30 September 2013, 2,704,000 options had been exercised under the Share Option Scheme. Weighted average exercise price was HK$9.30 and the weighted average market closing price before the date of exercise was HK$20.61.

BOARD OF DIRECTORS

As at the date of this report, Mr. Wei Ing-Chou, Mr. Junichiro Ida, Mr. Ryo Yoshizawa, Mr. Wei Ying-Chiao, Mr. Wu Chung-Yi and Mr. Teruo Nagano (appointed on 19 September 2013) are Executive Directors of the Company. Mr. Hsu Shin-Chun, Mr. Lee Tiong-Hock and Mr. Hiromu Fukada are Independent Non-executive Directors of the Company.

By Order of the Board
Wei Ing-Chou
Chairman

Tianjin, PRC, 18 November 2013

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

* *For identification purposes only*