康師傅控股有限公司*

TINGYI (CAYMAN ISLANDS) HOLDING CORP.

(Incorporated in the Cayman Islands with limited liability)

(Hong Kong Stock Code: 0322)

(TDR Code: 910322)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

US$'000	**2013**	**2012** (restated)		**Change**
• Turnover	**10,940,996**	9,211,852	↑	18.77%
• Gross margin	**30.25%**	29.90%	↑	0.35 ppt.
• Gross profit	**3,309,999**	2,754,488	↑	20.17%
• EBITDA	**1,161,152**	1,204,507	↓	3.60%
• Profit for the year	**494,311**	604,719	↓	18.26%
• Profit for the year – after excluding gain on bargain purchase	**494,311**	414,860	↑	19.15%
• Profit attributable to owners of the Company	**408,544**	458,622	↓	10.92%
• Profit attributable to owners of the Company-after excluding gain on bargain purchase	**408,544**	363,683	↑	12.34%
• Earnings per share (US cents)				
Basic	**7.30**	8.20	↓	0.90 cents
Diluted	**7.28**	8.17	↓	0.89 cents
• Final dividend per ordinary share (US cents)	**3.65**	3.22	↑	0.43 cents

At 31 December 2013, cash and cash equivalents was US$1,249.890 million and gearing ratio was 0.15 times.

CHAIRMAN STATEMENT

In 2013, the Chinese economy continued to see a slowdown in growth and the economic environment was full of challenges! Under such slowing economic situation, competition remained intense. Coupled with a change in the behavior of consumers, the demand was getting higher for both price and value. In response to the change in the market, we enhanced our investment in brands and product innovation over the past year. With an extensive and dense sales network, premium brands and a deep understanding of the market, we established a strong and solid operating platform to improve our operating efficiency and continuously launched new products to offer more quality and affordable choices for consumers.

In 2013, we made achievements in various aspects with the Group's turnover exceeding US$10 billion to US$10.941 billion. The sales growth of both instant noodle business and beverage business was higher than market growth, grew by 9.38% and 27.09% respectively. During the period, we also managed to achieve the target of breakeven for the operations of Pepsi beverages. In 2013, profit attributable to owners of the Company was US$409 million, decreased 10.92% when compared to last year, earnings per share was US7.30 cents. When deducting the special gain on bargain purchase in 2012, profit attributable to owners of the Company increased 12.34%

The board will recommend the payment of a final dividend of US3.65 cents per share. Total amount of final dividend for the year 2013 will be US$204 million.

According to the latest report published by AC Nielson, year-to-date December 2013, the Group's market share, in terms of sales volume for instant noodles, RTD tea, bottled water and overall juice ranked first in the PRC market, which accounted for 44.1%, 51.8%, 23.6% and 25.9% respectively. According to Canadean December 2013 data, in 2013 Pepsi's cola favor and Mirinda juice favor carbonated drinks also ranked No.1 in the favor sector, accounting for 49.4% and 30.3% of the market share respectively.

2013, Master Kong, for the sixth consecutive years was named one of the 50 best listed companies in Asia by Forbes, and for the eleventh consecutive years one of the top five of "Taiwan's top ten international brands" by InterBrand UK and ranked No.2 in the year. The brand value of Master Kong has reached US$1,498 million. In March 2014, "best brands" uncovered the most powerful and successful brands in China, Master Kong received the "Best Product Brand Award" and the "Best Food & Beverage Brand Award" from The German Brands Association. The ranking is aiming to promote successful and innovative brand management. By obtaining these honors, the brand power and competitiveness of Master Kong were recognized, what's more, we are encouraged to constantly endeavor, trying to provide consumers with more varieties of delicious and safe products.

Master Kong adheres to the philosophy of "from the people, to the people, giving back to the society, sustainable operation". We use different ways to help the people in need, such as sponsoring education, fighting floods, relieving earthquakes, relieving poverty, environmental protection and supporting sports activities. In 2013, we continued to allocate resources to take our corporate social responsibility to enable the concurrent healthy development of the enterprise and the society. We actively supported the concept of total quality control"from farm to table"and strictly abided by the consumer food safety principles. While improving production efficiency, we also continuously implemented energy saving and emission reduction. We continued to initiate the world elite universities scholarship program to support outstanding students across the Strait to further their studies and held "Master Kong Creative Challenges" to allow more young people with an innovative quality have the opportunity to go to university to further their studies.

We believe in China's long-term potential and take an optimistic view on its prospects. Under the policy of the Chinese government to support economic growth by driving domestic demand and proceed with urbanization, the consumer market is expected to expand further, which will create sustained growth momentum for the operations of the Group. In 2014, we will continue to consolidate our operating results, strengthen synergies through business alliances and accelerate the innovative development of the Group. In February 2014, Master Kong & PepsiCo alliance and the Shanghai Disney Resort signed a strategic alliance agreement, which marked the beginning of the active expansion of business development by the Group through a strategic alliance. In 2014, the beverage business focuses on creativity, professionalism, synergy and mutual benefits. The food business emphasizes innovation and enhancing market competitiveness through which the Group will achieve continued growth in sales and profitability.

The results and goals achieved by us in 2013 were attributed to the dedication and hard work of all staff as well as the long-term support from consumers, business partners and shareholders. I would like to take this opportunity to express our heartfelt appreciation to all staff on behalf of the Board for efforts made by them to always do their best and for their loyalty to Master Kong.

Wei Ing-Chou
Chairman and Chief Executive Officer

Tianjin, the PRC
24 March 2014

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 2013 together with the restated comparative figures for the corresponding period in 2012 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Note	**2013** *US$'000*	2012 *US$'000* *(restated)*
Turnover	4	**10,940,996**	9,211,852
Cost of sales		**(7,630,997)**	(6,457,364)
Gross profit		**3,309,999**	2,754,488
Other revenue and other net income	6	**215,685**	344,767
Distribution costs		**(2,312,603)**	(1,866,012)
Administrative expenses		**(350,868)**	(297,450)
Other operating expenses		**(117,921)**	(74,604)
Finance costs	7	**(37,351)**	(32,673)
Share of results of associates and joint ventures		**16,049**	3,966
Profit before taxation	7	**722,990**	832,482
Taxation	8	**(228,679)**	(227,763)
Profit for the year		**494,311**	604,719
Attributable to:			
Owners of the Company		**408,544**	458,622
Non-controlling interests		**85,767**	146,097
		494,311	604,719
Earnings per share	10		
Basic		**US7.30 cents**	US8.20 cents
Diluted		**US7.28 cents**	US8.17 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013 *US$'000*	2012 *US$'000* *(restated)*
Profit for the year	**494,311**	604,719
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit obligations	**850**	7,016
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences on consolidation	**134,154**	28,057
Fair value changes in available-for-sale financial assets	**12,780**	3,407
Reclassification adjustment relating to available-for-sale financial assets disposed of during the year	**(14,397)**	4,656
	132,537	36,120
Other comprehensive income for the year	**133,387**	43,136
Total comprehensive income for the year	**627,698**	647,855
Attributable to:		
Owners of the Company	**500,127**	490,704
Non-controlling interests	**127,571**	157,151
	627,698	647,855

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Note	At 31 December 2013	At 31 December 2012 (restated)	At 1 January 2012 (restated)
	Note	*US$'000*	*US$'000*	*US$'000*
ASSETS				
Non-current assets				
Property, plant and equipment		**5,485,100**	5,001,736	4,029,872
Prepaid lease payments		**318,961**	284,040	186,276
Intangible asset		**28,058**	28,811	–
Interest in associates		**29,050**	21,324	–
Interest in joint ventures		**80,276**	63,114	–
Available-for-sale financial assets		**24,683**	55,032	104,422
Deferred tax assets		**48,105**	50,774	52,176
		6,014,233	5,504,831	4,372,746
Current assets				
Financial assets at fair value through profit or loss		**4,952**	640	560
Inventories		**480,862**	478,113	312,562
Trade receivables	11	**260,427**	233,104	155,040
Prepayments and other receivables		**413,957**	418,677	367,814
Pledged bank deposits		**15,491**	7,673	9,662
Bank balances and cash		**1,234,399**	830,225	590,390
		2,410,088	1,968,432	1,436,028
Total assets		**8,424,321**	7,473,263	5,808,774

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At 31 December 2013 US$'000	At 31 December 2012 (restated) US$'000	At 1 January 2012 (restated) US$'000
EQUITY AND LIABILITIES				
Capital and reserves				
Issued capital		**27,982**	27,964	27,951
Share premium		**53,431**	66,656	106,213
Reserves		**2,798,879**	2,449,530	1,949,985
Total capital and reserves attributable to owners of the Company		**2,880,292**	2,544,150	2,084,149
Non-controlling interests		**1,046,095**	945,035	582,451
Total equity		**3,926,387**	3,489,185	2,666,600
Non-current liabilities				
Long-term interest-bearing borrowings		**659,643**	984,761	549,382
Other non-current liabilities		**262**	220	–
Employee benefit obligations		**28,186**	26,120	33,730
Deferred tax liabilities		**184,389**	178,466	131,092
		872,480	1,189,567	714,204
Current liabilities				
Trade payables	12	**1,251,710**	1,043,295	974,113
Other payables		**1,192,428**	1,110,292	660,995
Current portion of interest-bearing borrowings		**1,016,636**	499,711	700,695
Advance payments from customers		**108,354**	82,294	66,501
Taxation		**56,326**	58,919	25,666
		3,625,454	2,794,511	2,427,970
Total liabilities		**4,497,934**	3,984,078	3,142,174
Total equity and liabilities		**8,424,321**	7,473,263	5,808,774
Net current liabilities		**(1,215,366)**	(826,079)	(991,942)
Total assets less current liabilities		**4,798,867**	4,678,752	3,380,804

Notes:

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2012 financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year as detailed in note 3.

2. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests ("NCI") are presented, separately from owners of the Company, in the consolidated income statement and the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position.

3. ADOPTION OF NEW/REVISED HKFRSs

The HKICPA has issued a number of new/ revised HKFRSs that are first effective for the current accounting period of the Group. Of these, the changes in accounting policy relevant to the Group's financial statements are as follows:

Amendment to HKAS 1: Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 require entities to group together items within other comprehensive income that will not be reclassified to profit or loss separately from items that may be reclassified subsequently to profit or loss if certain conditions are met. Other than the presentation changes, the application of the amendments does not have an impact on the amounts recognised.

Further, these amendments change the title for "income statement" to "statement of profit or loss" and "statement of comprehensive income" to "statement of profit or loss and other comprehensive income". However, HKAS 1 retains the option to use titles for the statement other than those used in HKAS 1. The Group continues to use "income statement" and "statement of comprehensive income".

HKFRS 10: Consolidated financial statements

HKFRS 10, which replaces the requirements in HKAS 27 *Conslidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*, introduces a single control model to determine whether an investee should be consolidated. It changes the definition of control by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

In accordance with the transitional provisions of HKFRS 10, the Group reassessed the control conclusion for its investees at the date of initial application. The exercise does not change any of the control conclusions reached by the Group in respect of its involvement with other entities at that date.

HKFRS 11: Joint Arrangements

HKFRS 11, which replaces HKAS 31 *Interest in joint ventures* and HKSIC-13 *Jointly controlled entities – Non-monetary contributions by venturers*, divides joint arrangements into joint operations and joint ventures. Such classification is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, legal form, contractual terms and other facts and circumstances.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement while a joint venture is a joint arrangement whereby those parties have rights to the net assets of the arrangement. Joint operations are recognised on a line-by-line basis to the extent of the joint operator's interest while joint ventures are accounted for using the equity method. Proportionate consolidation is no longer allowed.

As a result of the adoption of HKFRS 11, the Group has re-evaluated its involvement in its joint arrangements and has reclassified the investment from jointly controlled entities to joint ventures. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the amounts recognised.

HKFRS 12: Disclosure of interest in other entities

HKFRS 12 sets out in a single standard all the disclosure requirements relevant to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. In general, the disclosures required by HKFRS 12 are more extensive than those previously required by the respective standards, such as summarized financial information of subsidiaries with material NCI, material associates and material joint ventures.

HKFRS 13: Fair value measurement

This new standard improves consistency by providing a single source of guidance for fair value measurement and disclosures about fair value measurement when such measurement is required or permitted by other HKFRSs. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In accordance with the transitional provisions, the standard has been applied prospectively. Apart from the additional disclosures about fair value measurements for the current year, the application of the new standard does not have any material impact on the amounts recognised.

HKAS 19 (2011): Employee Benefits

HKAS 19 (2011) 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, all past service costs (including unvested past service costs) are required to be recognised immediately in profit or loss.

As a result of the adoption of HKAS 19 (2011), the Group has changed its accounting policy with respect to defined benefit plans, for which the corridor method was previously applied. The adoption is made in accordance with the transitional provisions as set out in HKAS19 (2011). The change in this accounting policy did not have a material effect on the current and deferred taxation as well as the result and the financial position of the Group in current year. This change in accounting policy has been applied retrospectively by restating the balances at 1 January 2012 and 31 December 2012, with consequential adjustments to comparatives for the year ended 31 December 2012 as follows:

	As previously reported	**Effect of the adoption of HKAS 19 (2011)**	**As restated**
	US$'000	*US$'000*	*US$'000*
		Increase/(Decrease)	
Consolidated income statement for the year ended 31 December 2012:			
Administrative expenses	302,040	(4,590)	297,450
Profit for the year	600,129	4,590	604,719
Attributable to:			
Owners of the Company	455,171	3,451	458,622
Non-controlling interests	144,958	1,139	146,097
Consolidated statement of comprehensive income for the year ended 31 December 2012:			
Remeasurement of defined benefit obligations	—	7,016	7,016
Total comprehensive income for the year	636,249	11,606	647,855
Attributable to:			
Owners of the Company	481,891	8,813	490,704
Non-controlling interests	154,358	2,793	157,151
Earnings per share for the year ended 31 December 2012:			
Basic	US8.14 cents	US0.06 cents	US8.20 cents
Diluted	US8.11 cents	US0.06 cents	US8.17 cents

	As previously reported	Effect of the adoption of HKAS 19 (2011)	As restated
	US$'000	*US$'000*	*US$'000*
		Increase/(Decrease)	
Consolidated statement of financial position at 31 December 2012:			
Employee benefit obligations	18,060	8,060	26,120
Reserves	2,456,313	(6,783)	2,449,530
– Remeasurement reserve	—	(11,655)	(11,655)
– Retained profits	1,559,147	4,872	1,564,019
Total capital and reserves attributable to owners of the Company	2,550,933	(6,783)	2,544,150
Non-controlling interests	946,312	(1,277)	945,035
Total equity	3,497,245	(8,060)	3,489,185
Consolidated statement of financial position at 1 January 2012:			
Employee benefit obligations	14,064	19,666	33,730
Reserves	1,965,581	(15,596)	1,949,985
– Remeasurement reserve	—	(17,017)	(17,017)
– Retained profits	1,307,047	1,421	1,308,468
Total capital and reserves attributable to owners of the Company	2,099,745	(15,596)	2,084,149
Non-controlling interests	586,521	(4,070)	582,451
Total equity	2,686,266	(19,666)	2,666,600

Various HKFRSs: *Annual Improvements Project- 2009-2011 Cycle*

The improvements comprise a number of improvements to standards including the following that are considered to be relevant to the Group:

HKAS 1: Presentation of Financial Statements - Clarification of the Requirements for Comparative Information

The amendment clarifies that when an entity produces an additional statement of financial position as required by HKAS 1, the statement of financial position should be as at the date of the beginning of the preceding period, that is, the opening position. No notes are required to support this statement of financial position. It also clarifies that when management provides additional comparative statements voluntarily, it should present the supporting notes to these additional statements. The Group has decided not to provide additional comparative statements voluntarily and therefore the adoption of this amendment has no impact on the financial statements.

HKAS 16: Property, Plant and Equipment - Classification of Servicing Equipment

The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. Since only spare parts and servicing equipment which are not expected to be used for more than one period are classified as inventory according to the Group's accounting policy, the adoption of this amendment has no material impact on the financial statements.

Amendment to HKFRS 7: Disclosure- Offsetting Financial Assets and Financial Liabilities

These amendments added disclosure requirements for offsetting financial assets and financial liabilities, including a) the gross amounts of those recognised financial assets and recognised financial liabilities; b) the amounts that are set off in accordance with HKAS 32 when determining the net amounts presented in the statement of financial position; c) the net amounts presented in the statement of financial position; d) the amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in item b) above, and e) the net amount after deducting the amounts in item d) from item c) above. The adoption of the amendments does not have an impact on these financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods presented.

4. 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.

5. SEGMENT INFORMATION

The Company's executive directors have been identified as the chief operating decision-maker of the Group. 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 99% of the Group's sales and business are conducted in the PRC. Business reportable operating segments identified are instant noodles, beverages, instant food and others. The segment of others includes investment holding, logistics and supportive functions.

For the purposes of assessing the performance of the operating segments and allocating resources between segments, the executive directors assess segment result after finance costs for the year which is consistent with that in the financial statements.

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 joint ventures. Segment liabilities include all liabilities with the exception of employee benefit obligations.

Inter-segment sales are priced at cost plus profit margin. The accounting policies of the reporting segments are the same as the Group's accounting policies.

The geographical location of the Group' s customers is based on the location at which the goods are delivered. Over 99% of the revenues from external customers of the Group are attributable to customers located in the PRC, the place of domicile of the Group' s operating entities. Meanwhile, over 99% of the Group' s non-current assets other than available-for-sale financial assets are located in the PRC.

No revenue from a single external customer amounted to 10% or more of the Group' s revenue.

Business segment analysis

The segment information for the years ended 31 December 2013 and 2012 are as follows:

	2013					
	Instant noodles *US$'000*	**Beverages** *US$'000*	**Instant food** *US$'000*	**Others** *US$'000*	**Inter-segment elimination** *US$'000*	**Total** *US$'000*
Turnover						
Revenue from external customers	4,332,159	6,267,617	202,518	138,702	–	10,940,996
Inter-segment revenue	51	855	301	100,492	(101,699)	–
Segment revenue	4,332,210	6,268,472	202,819	239,194	(101,699)	10,940,996
Segment result after finance costs	490,965	198,526	(11,043)	31,713	(3,220)	706,941
Share of results of associates and joint ventures	–	19,266	(3,217)	–	–	16,049
Profit (loss) before taxation	490,965	217,792	(14,260)	31,713	(3,220)	722,990
Taxation	(154,184)	(62,912)	231	(11,814)	–	(228,679)
Profit (loss) for the year	336,781	154,880	(14,029)	19,899	(3,220)	494,311
Assets						
Segment assets	3,420,533	5,075,114	182,198	839,614	(1,232,099)	8,285,360
Interest in associates	–	25,628	3,422	–	–	29,050
Interest in joint ventures	–	57,883	22,393	–	–	80,276
Unallocated assets						29,635
Total assets						8,424,321
Liabilities						
Segment liabilities	1,290,983	3,179,545	77,143	1,106,220	(1,184,143)	4,469,748
Unallocated liabilities						28,186
Total liabilities						4,497,934
Other information						
Depreciation and amortisation	93,054	342,116	7,880	9,288	–	452,338
Capital expenditures	221,364	631,213	7,714	35,799	–	896,090
Impairment losses	14,200	35,602	–	–	–	49,802
Reversal of impairment losses	6,381	–	–	–	–	6,381
Interest income	53,984	6,835	968	10,015	(20,275)	51,527
Interest expense	9	29,446	–	28,171	(20,275)	37,351

	2012					
	Instant noodles *US$'000*	**Beverages** *US$'000 (restated)*	**Instant food** *US$'000*	**Others** *US$'000 (restated)*	**Inter-segment elimination** *US$'000*	**Total** *US$'000 (restated)*
Turnover						
Revenue from external customers	3,959,782	4,930,961	234,044	87,065	–	9,211,852
Inter-segment revenue	874	1,410	84	96,168	(98,536)	–
Segment revenue	3,960,656	4,932,371	234,128	183,233	(98,536)	9,211,852
Segment result after finance costs	464,268	168,704	7,032	4,322	(5,669)	638,657
Share of results of associates and joint ventures	–	3,966	–	–	–	3,966
Gain on bargain purchase, net of expenses related to acquisition	–	189,859	–	–	–	189,859
Profit before taxation	464,268	362,529	7,032	4,322	(5,669)	832,482
Taxation	(140,866)	(75,713)	(3,481)	(7,703)	–	(227,763)
Profit (loss) for the year	323,402	286,816	3,551	(3,381)	(5,669)	604,719
Assets						
Segment assets	2,916,279	4,328,382	188,739	573,601	(673,848)	7,333,153
Interest in associates	–	21,324	–	–	–	21,324
Interest in joint ventures	–	49,404	13,710	–	–	63,114
Unallocated assets						55,672
Total assets						7,473,263
Liabilities						
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
Other information						
Depreciation and amortisation	78,889	294,925	6,152	7,791	–	387,757
Capital expenditures	337,123	519,012	20,026	5,361	–	881,522
Impairment losses	13,900	–	–	–	–	13,900
Reversal of impairment losses	3,487	–	–	–	–	3,487
Interest income	48,910	19,996	1,290	6,207	(27,998)	48,405
Interest expense	760	39,007	–	20,904	(27,998)	32,673

6. OTHER REVENUE AND OTHER NET INCOME

	2013	2012
	US$'000	*US$'000*
Other revenue		
Interest income	**51,527**	48,405
Dividend income	**747**	1,595
	52,274	50,000
Other net income		
Change in fair value of derivative financial instruments	**12,181**	–
Exchange gains, net	**18,812**	6,269
Gain on sales of scrapped materials	**31,057**	26,722
Government grants	**47,814**	35,978
Gain on bargain purchase, net of expenses related to acquisition	**–**	189,859
Gain on disposal of available-for-sale financial assets	**14,397**	–
Others	**39,150**	35,939
	163,411	294,767
	215,685	344,767

7. PROFIT BEFORE TAXATION

	2013	2012
This is stated after charging:	*US$'000*	*US$'000*
Finance costs		
Interest on bank and other borrowings wholly repayable within five years	**39,545**	36,904
Less: Borrowing costs capitalised into property, plant and equipment at weighted average capitalisation rate of 2.08% *(2012: 2.43%)*	**(2,194)**	(4,231)
	37,351	32,673
Other items		
Depreciation	**444,303**	380,845
Amortisation of prepaid lease payments	**7,282**	6,346
Amortisation of intangible asset	**753**	566

8. TAXATION

	2013	2012
	US$'000	*US$'000*
Current tax – PRC Enterprise income tax		
Current year	**198,842**	185,520
(Over)/under provision in prior year	**(6,504)**	8,082
	192,338	193,602
Deferred taxation		
Origination and reversal of temporary differences, net	**8,536**	13,683
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**27,805**	20,478
	36,341	34,161
Total tax charge for the year	**228,679**	227,763

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

Hong Kong Profits Tax has not been provided as the Group's entities had no assessable profits subject to Hong Kong Profits Tax for the years ended 31 December 2013 and 2012.

The statutory tax rate of PRC enterprise income tax is 25%. Pursuant to the relevant laws and regulations in the PRC, certain of the Company's PRC subsidiaries were exempt from PRC enterprise income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. The preferential tax rate resulted from these tax concessions expired in 2012.

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 the PRC with principal revenue of over 70% generated from the encouraged business activities are entitled to an 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 an income tax 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 joint ventures, 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 distributed in the foreseeable future. The remaining 50% of post-2007 earnings of the Group's PRC subsidiaries that are not expected to be distributed in the foreseeable future would be subject to additional taxation when they are distributed. Undistributed earnings of the Group's PRC associates and joint ventures are not subject to withholding tax as these companies are held by a PRC subsidiary.

9. DIVIDENDS

Dividends payable to owners of the Company attributable to the year:

	2013	2012
	US$'000	*US$'000*
Final dividend proposed after the end of the reporting period of US3.65 cents *(2012: US3.22 cents)* per ordinary share	**204,269**	180,091

At meeting held on 24 March 2014, the directors recommended the payment of final dividend of US3.65 cents per ordinary share. The proposed final dividend has not been recognised as dividend payables in the consolidated statement of financial position.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is as follows:

(a) Basic earnings per share

	2013	2012 *(restated)*
Profit attributable to ordinary equity shareholders (US$'000)	**408,544**	458,622
Weighted average number of ordinary shares ('000)	**5,594,388**	5,591,945
Basic earnings per share (US cents)	**7.30**	8.20

(b) Diluted earnings per share

	2013	2012 *(restated)*
Profit attributable to ordinary equity shareholders (US$'000)	**408,544**	458,622
Weighted average number of ordinary shares (diluted) ('000)		
Weighted average number of ordinary shares	**5,594,388**	5,591,945
Effect of the Company's share option scheme	**17,490**	19,952
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**5,611,878**	5,611,897
Diluted earnings per share (US cents)	**7.28**	8.17

11. TRADE RECEIVABLES

The majority of the Group's sales is cash-on-delivery. The remaining balances of sales are mainly at credit term ranging from 30 to 90 days. The ageing analysis of 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:

	2013	2012
	US$'000	*US$'000*
0 – 90 days	**248,538**	215,991
Over 90 days	**11,889**	17,113
	260,427	233,104

12. TRADE PAYABLES

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

	2013	2012
	US$'000	*US$'000*
0 – 90 days	**1,214,761**	1,019,916
Over 90 days	**36,949**	23,379
	1,251,710	1,043,295

13. COMMITMENTS

	2013	2012
	US$'000	*US$'000*
(a) **Capital expenditure commitments**		
Contracted but not provided for:		
Expenditures on properties, plant and equipment	**235,442**	327,823
Investments in joint ventures	**1,800**	12,240
Investments in private investment funds	**27,464**	32,537
	264,706	372,600
(b) **Commitments under operating leases**		
At the end of the reporting period, the Group has total minimum lease payments under non-cancellable operating leases for premises, which are payable as follows:		
Within one year	**43,723**	35,390
In the second to fifth years inclusive	**82,719**	53,018
After five years	**50,172**	37,798
	176,614	126,206

MANAGEMENT DISCUSSION AND ANALYSIS

During 2013, the Gross Domestic Product (GDP) of the PRC increased by 7.7% year-on-year. The Consumer Price Index (CPI) increased by 2.6%. Total retail sales of social consumer goods increased by 13.1%. The Producer Price Index (PPI) decreased by 1.9% year-on-year. Economic growth rate continues to slow down. During the year, market competition remained intense. Coupled with the factor of climate, the operations were subject to fluctuations. In this challenging year, Master Kong achieved good results in 2013 through strong organisational structure, flexible market strategies and the synergy of the strategic alliance.

In 2013, the Group's turnover was US$10,940.996 million, an increase of 18.77% compared to that of 2012. The growth rates for turnover of instant noodle and beverages were 9.38% and 27.09% respectively, instant food's turnover dropped 13.37%. In the fourth quarter, the Group's turnover was US$2,128.439 million, 22.82% higher than the same period last year. During the year, the Group's gross margin increased by 0.35 ppt. to 30.25% year-on-year, benefiting from the drop in cost of raw materials, optimizing organizational and enlarged economies of scale.

In 2013, the Group effectively controlled its marketing and distribution expenses by means of strategic advertisement that strengthened its brand as the leader in the PRC market. Due to the intense competition and increase in media promotion expense, the Group's distribution costs as a percentage of total sales, increased by 0.88 ppt. to 21.14% as compared to 20.26% in 2012. Finance costs increased by US$4.678 million to US$37.351 million mainly due to the increased bank borrowings for capital expenditure. During the year, the Group maintained a stable and healthy financial structure with strong cash flows. In 2013, earnings before interest, tax, depreciation and amortization (EBITDA) was US$1,161.152 million and the profit attributable to owners of the Company was US$408.544 million, a decrease by 3.60% and 10.92% respectively when compared to the previous year, earnings per share was US7.30 cents, dropped US0.90 cents year-on-year. In 2013, the synergy of the strategic alliance between Master Kong and PepsiCo is gradually realized that Pepsi beverage business reached break-even. After deducting the special gain on bargain purchase in 2012, the profit attributable to owners of the Company increased 12.34% when compared to the previous year.

FOOD BUSINESS

Instant Noodles

In 2013, turnover of instant noodle business amounted to US$4,332.210 million, an increase by 9.38% from previous year, and represented 39.60% of the Group's total turnover. During the period, slight increase in price of certain raw materials and additional costs spending on the enhancement of quality and size of products for the benefit of customers which caused a decrease in gross margin by 0.76 ppt. to 29.24%. Profit margin increased by 6.60% and the profit attributable to shareholders for the instant noodle business was US$336.781 million, grew by 4.14% when compared to same period last year.

According to AC Nielsen's latest survey, in terms of sales volume and value, year-to-date December 2013, the Group's instant noodles gained 44.1% and 56.4% market share respectively. In December 2013, market share for Master Kong's instant noodles increased of 46.5% and 56.5% respectively, grew by 2.7 ppt. and 0.5 ppt. respectively when compared to same period last year and remained as the top player in the market. The growth of high-end instant noodle market was greater than that of the overall instant noodle market. In terms of sales volume and sales value, the market share of the Group's high-end instant noodles were 67.7% and 66.6% respectively. Braised Beef Noodle is the number one flavor in the instant noodle market while the Group's "Master Kong Braised Beef Noodle" enjoyed the largest market share of this favor segment, leaving its competitors far behind.

Being the most familiar classic good taste of Chinese, Master Kong's braised beef noodle continued to strengthen the "It is more nutritious to have meat and egg" ingredient enrichment and foretaste promotional activity. Meanwhile, in terms of brand interactive marketing, we fully leveraged the influence of the "King of Songs", "Yu • Quan", our ambassador, to implement entertainment marketing campaigns. Together with in-depth cooperation in relation to "Yu • Quan"'s new album and Christmas concert as well as online and offline terminal promotion and integrated communication, it has created a younger, modern and energetic new look for consumers, thereby consolidating its leading position as the first brand and driving the continued growth of sales. Our Noodles with Spicy Beef are highly popular among consumers who prefer hot and spicy flavor. Our ingredients trial programme was vigorously in progress while the "Spicy and Hot Apartment" Weibo promotional activity was officially launched. Riding on the popularity of the new TV drama "i PARTMENT 4", TV commercials on this series of our products were aired. In the meantime, the promotion and marketing platforms of television and Internet were consolidated to allow our mass young customers to truly experience the attractiveness of the aroma and vigor brought by the spice of the noodle. All these efforts yielded better overall results.

Master Kong's Pickled Mustard series launched the innovative flavors of pickled mustard pork ribs noodle and pickled mustard fresh shrimp noodle in the fourth quarter. While implementing the comprehensive promotion of the foretaste of new flavours, we engaged Xu Zheng and Wang Baoqiang as ambassadors to disseminate the product differentiation theme of "It is cool to have the sour flavor but it is even cooler to have various extra flavours" through commercials. Accordingly, the year-on-year growth of the Pickled Mustard series for the full year of 2013 was significantly higher than that of major competing products, thus suppressing the growth space of major competing products. The "Homemade Mushroom Pack" was added to the Homemade Mushroom Lu Xiang Series to deliver innovative braised pork and mushroom compound flavours. The ongoing foretaste promotion, combined with the dissemination of the concept of "It is difficult to resist the temptation of braised pork added with homemade mushrooms" through creative commercials, was well-received by the market. With a continued increase in the market share, the flavour's leading brand position in the market was consolidated.

In addition, the Group has concentrated on studying the Chinese food culture and introduced innovative products under regional brands in accordance with local tastes, such as brittle kelp and beef noodle, preserved vegetables, crisp bamboo shoots and braised beef noodle with spicy cabbage, which are well-received by consumers. Sales of gravy noodle with tomato and egg in the north grew rapidly since its launch in the market. Sales of brittle kelp and beef noodle was expanded from the South to the Northwest. 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. In the meantime, regional brands invited Hua Shao, the host of "The Voice of China", as their ambassador to integrate the voice volume to tell consumers nationwide: Master Kong meticulously provides genuine flavour instant noodles for you, real "richness and genuineness!"

Mid-end noodle, "Jin Shuang La Mian", took over the low-end noodle upgrade market with fine quality noodle as the core benefit and achieved rapid sales in 2013. With continued efforts made, fried crispy noodle ranked third in the fried crispy noodle market, with both its sales and market share increasing while maintaining stability. During the year, the major product, "Xiang Bao Cui", continued to improve, and coupled with the themed sales promotion event of "Win another pack", its sales continued to climb with a positive growing trend. The innovative product, "Cui Xuan Feng", succeeded in expanding the consumer groups of fried crispy noodle as it was popular among consumers since it was launched for sale in February due to its uniqueness. The three new flavours and the new jumbo pack specification launched for sale at the beginning of the fall semester even added new vigour to the brand, which drove the growth of sales!

In respect of production management, the Group continued to promote production and sales enhancement and distribution improvement projects to increase the efficiency of production and sales coordination and further improve supply chain services. In the future, the Group will constantly increase plant competitiveness and continuously reduce production costs to improve the gross profit of products. In addition, the establishment of new second generation plants in Tianjin, Hangzhou, Nanjing and Chengdu have been completed and put into operation successively. The plants in other regions will be also established successively. The plants in other regions will be also established successively. Besides, standardized operation was implemented to ensure the quality of products so as to provide consumers with better products. Meanwhile, the Group continued to drive the functions of the budget control system and assisted operational staff to improve their skills through enhancing the mutual application of the E-MO system and the E-CRC system to implement terminal execution capabilities.

With increase in per capita income and growing consumer demand in China, the consumer groups of mid-end and high-end noodles and innovative products are growing fast. The Group is also active in developing new products and making better use of new technologies and the innovation of product offerings to establish a dominant position in product trends. In the first half of 2014, innovative products such as "Fresh Banquet" featuring healthy steamed and cooked noodles, with an improved taste — "Mian Ba Cooked Noodle", new wide, thin and crisp snack noodle — "Crispy Fatty" will be launched for sale in succession. The Group will continue to meet consumer demand and actively adjust the flavours in accordance with market feedback to reward consumers with better products!

With the development of China's regional urbanization policies, employees from the first and second tiers cities returned to their hometown to build up their own business, might lead rapid economic development of the 3rd and 4th tiers cities. Besides, it drives up the consumption volume and value for instant noodle. The Group's sales and marketing team is already ready to focus on the development of new networks and capture business opportunities brought by the acceleration of urbanization and gain the fast growing benefit.

Instant Food

According to AC Nielsen, the overall cracker market remained in the doldrums throughout 2013. Overall market sales volume of crackers declined by 3.65% year-on-year. In particular, sales of sandwich crackers declined by 6.72% year-on-year.

In 2013, turnover of the instant food business amounted to US$202.819 million, representing a drop of 13.37% year-on-year, and 1.85% of the Group's total turnover. Gross margin dropped by 0.9 ppt. to 38.09% and gross profit declined by 15.37% year-on-year mainly due to the doldrums of cracker market which reflected in the sales quantity. Owing to the decline of gross profit from existing products together with expenses spending on establishing markets and advertising and propaganda activities for the new product development of new business, the instant food business recorded a loss of US$14.029 million. Looking forward, with higher recognition of our new products and the commencement of marketing activities, the results of our instant food products will gradually improve, thus driving the growth of our profit.

According to AC Nielsen's survey in December 2013, in terms of sales value, year-to-date December 2013, Master Kong's egg rolls gained a market share of 25.2% and ranked No. 1 in the market. Sandwich cracker gained 19.3% market share and ranked No. 2 in the market. There is no AC Nielsen database for cake and pie markets available for the time being but we believe that Master Kong's Muffin are enjoying a leading market position.

Master Kong's 3+2 Brand Festival "Dance in my own style" organized a roadshow performance of "Dancing game in real personal feeling" for the first time in the most representative business districts of five major cities across China. Brand ambassadors and star guests were invited to assist in promotion at the sites which were under a hot atmosphere to enhance positive brand awareness. Master Kong's mousse sandwich balls, being a strategic snack product, organized the activities of "Enjoying Colourful Styles" campus and "Christmas Tour" in schools, marketplaces, cinemas and offices in various major cities across China through package refinement and display improvement. Brand popularity was enhanced through exciting interaction between the official microblogging platform and consumers. As a result, sales volume recorded a double digit growth.

"Calbee potato stick", a major product of Calbee leisure puffed food products, used fresh-cut potatoes as raw materials and cooperated with e-commerce operators to promote potato chips through the themed activity of "FUN potato holidays, taste fresh prices" since it was launched in the market in March. An activity was organized to distribute samples in offices with an accumulation of more than 50,000 WeChat fans. By disseminating the theme of "Focusing on your good fortune (專薯你的好福氣)", the Group facilitated the promotion of product reputation and increased brand recognition among consumers.

In 2014, our instant food business will adhere to the overall strategy of "accelerating growth, reducing loss and adjusting the structure." In respect of accelerating growth, we will make the operations of core products and core areas as our key direction and will put more efforts on product upgrade and product mix. While we continue to put sandwich crackers, egg rolls and cake primary products as our key products, we will further our development of new products such as Calbee snacks. In respect of reducing loss, we will focus on products with high profit margins and continue to improve our brand power and influence and in the meantime continuously optimize our sales channels in a bid to reduce inventory levels at different channels and enhance the gross profit along the channels to improve our profitability. In respect of adjusting the structure, we will constantly optimize and adjust the organization, systems and processes to establish a more professional sales company. This company will be established to serve more products, further explore the potentials of direct sales and sales channels and improve the profit margins along the channels. As for our production and management, we intend to improve our costs and gross profits via production IE (Industrial Engineering) programme and will strictly control our costs of distribution to enhance investment efficiency.

In addition, the instant food business will launch new products on the market in strategic cooperation with the new business and put them into production in succession in 2014. Qing Kong (Shanghai) Trading Company Ltd., a joint venture with Wakodo has been approved to establish and will duly launch the infant milk powder and its auxiliary products on the market in 2014. The frozen meat products such as sausage, ham and bacon produced by Kangpu (Wujiang) Food Co., Ltd, a joint venture with Prima Meat Packers Ltd. will also be launched to the market. In the future, the Group will continue to conduct various strategic cooperation to expand the product categories so as to explore the profit growth momentum in the instant food business.

BEVERAGE BUSINESS

In 2013, in line with the slowdown of the development pace in the overall economy in the PRC, the growth in the beverage business also retarded, meanwhile affected by the severe competition in the industry, the unexpected consumption and climate instability factors, sales volume in the overall beverage market grew by 6.9%, lower than that in 2012, reflecting a challenging operating environment.

In 2013, turnover for beverage business increased by 27.09% to US$6,268.472 million year on year, representing 57.29% of the Group's total turnover. During the year, gross margin of beverage business increased by 1.14 ppt. to 30.75% due to the decrease in costs of raw materials and the optimization of product mix. During the period, overall operating expenses has been well controlled, coupled with the synergy of the strategic alliance between the Group and PepsiCo is gradual materialization, caused the operations of Pepsi beverage from loss to breakeven. Profit attributable to owners of the Company from the beverage business was US$70.995 million, year on year sharply grew by 50.87% after deducting the special gain on bargain purchase in 2012. If including the special gain, year-on-year dropped by 50.00%.

During the year, all types of products recorded excellent performance. In 2013, we continued to strengthen the brands of RTD tea through a number of campaigns launched by power of various medias to attract the attention of consumers. According to AC Nielsen data, in terms of sales volume, year-to-date December 2013, the Group's RTD tea gained 51.8% market share, grew by 4.0ppt. when compared to same period last year, continued to rank No. 1 in the market. The market share of the Group's RTD tea with milk was 21.5%, increased by two times as compared to the same period last year. In the bottled water market, in addition to supplying products to consumers by upholding the philosophy of "drink safely, enjoy healthy", the new type of bottle launched this year became very popular in the market, the market share of the bottled water increased steadily to 23.6% since its launching and regained the top player position. We constantly innovate on fruit juices, leading to the emergence and popularity of Chinese style fruit juices in China. By leveraging on the fruit juice brands under Master Kong (Master Kong juice, Fresh Daily C, New Taste for Traditional Drink, Crystal Sugar Series and Traditional Fruit Mix) and Pepsi's Tropicana, the market share of the Group in the overall fruit juice market in China was 25.9%, ranking No. 1 and grew by 1.7ppt. when compared to previous year.

The development of the Group's beverage business is not only in new taste, new package, new formula, but also in the new philosophy. We match the market demands for the consumption and launch the products suitable for the market demands by upholding the flexible marketing strategies to bring more beautiful experience for the consumers for a happier life. In terms of RTD tea series, we solidify the leading position and put emphasis on the future trends of healthy food concepts. We market the healthy concept by launching tea drinks with the raw material of tea. The representative products such as sugar free tea emerged rapidly. In order to extend the time for drink milk tea and enhance the effectiveness of the end brands, we sell the concept of drinking milk tea during the winter for a better fragrance.

In terms of fruit juices, we adopt the operation strategy of double brands namely Master Kong juice and Fresh Daily C by constant innovation and product improvement. The Group's Crystal Sugar Pear Juice was very popular in China, after that, we launched Lemon Juice and a haw-flavored fruit juice. Meanwhile, we introduced a Chinese traditional health preserving beverage series called "Traditional Fruit Mix" in response to the demand in the market. In particular, "Honey Pomelos" and "Sugar Cane and Water Chestnut" were well-received by consumers and other new flavours will be introduced successively. In additional to diversify the offerings of traditional beverages, we also enriched the choices for consumers.

Overall sales volume of the Pepsi beverage business achieved a stunning double-digit growth of almost 20%. According to the data for December 2013 of Canadean, the Pepsi carbonated soft drink business achieved a double-digit sales growth in 2013, with the annual growth rate with three times more than that of major competitors. In 2013, its market share in the carbonated soft drink market increased by 1.3 ppt. to 31.8% as compared to the same period last year. For the Cola flavour, PepsiCo has not only maintained its first Cola position in the PRC since 2005 but also increased its market share by 3 ppts to 49.4% year-on-year. The fruit flavoured carbonated beverage, Mirinda, gained 30.3% market share and ranked the first position. As for terminal, catering access, new product execution, traditional and modern pipeline seizure, the Pepsi beverage business also thoroughly carried out the work of suppressing its opponents. Besides, for non-carbonated soft drinks, the Pepsi beverage business achieved a double-digit growth through new packaging and the expansion of new flavours. This, together with the gradual materialization of the benefits of Master Kong & Pepsico alliance, caused the operations of Pepsi Beverage to achieve breakeven in 2013. In the future, the Group will capitalize on its brand rejuvenation advantage to increase the voice volume to consumers and continue to make efforts in brand enhancement and focusing to build long-term advantages in the market.

For bottled water, Master Kong's mineralized water, in collaboration with Pepsi Aquafina Water, set up more production facilities, reduced costs by leveraging on scale synergy and established efficient distribution networks to provide better services for customers and consumers and reinforced the core competitiveness.

Master Kong upholds the principle of leading the industry development in a healthy and orderly manner, and contributes to the sustainable development of society and environment. We constantly implemented technological innovation and introduced more energy-saving and environmentally friendly facilities. For the purpose of energy saving, we have introduced rinse-free technology such that water consumption during production has been decreased significantly. At the same time, we have further improved production processes such that the usage of electricity in bottle production and the emission of carbon in logistics and transportation has been reduced. For production efficiency improvement, through improved production processes and equipment, we have invested capital, invested manpower and optimized the operation process. We have also constantly carried out the work of energy saving and emission reduction, enhanced resource utilization and achieved remarkable results. We have achieved outstanding performance in energy saving and emission reduction and sustainable development.

On 27 February 2014, Shanghai Disney Resort, the Group and PepsiCo jointly announced the signing of a strategic alliance agreement with a term of several years, which marked Master Kong and Pepsi became major beverage suppliers of the resort. Meanwhile, Master Kong and Pepsi will jointly launch extremely influential marketing campaigns to promote products and help publicize Shanghai Disney Resort. Such partnership is expected to benefit consumers, Shanghai Disney Resort and the Group and this valuable alliance is just an example of the efforts made by the Group to continue to cooperate with world-renowned companies.

In 2014, under the policy of the new leadership of the Central Government, the domestic demand market in the PRC is expected to see a recovery in its growth rate. By adopting increasing profits by means of momentum as its overall strategy, Tingyi-Asahi Beverages Holding Co., Ltd ("TAB"), a major subsidiary engaged in beverage business, will capitalize on the advantages of Master Kong-PepsiCo alliance in respect of organization and integrate various resources to reduce management costs; optimize the system process in order to respond to various changes in the market more precisely and swiftly; constantly expand the network, more closely cooperate with network partners, focus on the development of new networks and capture business opportunities brought by the acceleration of urbanization; enhance brand power and manage product types more precisely; continue to increase product quality and focus on the development of innovative products. The Group expects to increase investment in such aspects as consumer communication and brand building. We will continue to propel the healthy sustainable development of the industry and offered safe, reassuring, nutritious, healthy and delicious products to consumers by insisting on scientific and technological innovation at the technology level and strictly controlling food safety. Meanwhile, with an aim to guide the healthy sustainable development of the beverage industry, we have put more emphasis on construction resources and energy saving, strengthened water resource reuse and cut energy consumption to set ourselves an example to continuously pass positive energy to enterprises, the society and the public.

FINANCING

The Group continued to maintain a stable and healthy finance structure through the effective control of trade receivables, trade payables, cash and inventories. In the volatile financial market, the Group believes it to be appropriate to maintain sufficient cash balances. At 31 December 2013, the Group's cash and bank deposits totaled US$1,249.890 million, an increase of US$411.992 million from the previous year. The Group's total assets and total liabilities amounted to approximately US$8,424.321 million and US$4,497.934 million respectively, representing increases of US$951.058 million and US$513.856 million respectively when compared to 31 December 2012. The debt ratio increased by 0.08 ppt. to 53.39% as compared with the same period in 2012.

At the end of 2013, the Group's total borrowings increased by US$191.807 million to US$1,676.279 million. The borrowings were mainly used for acquisition of production facilities and general working capital. The Group's proportion of the total borrowings denominated in foreign currencies and Renminbi was similar as last year's 88% and 12% respectively. The proportion between long-term loans and short-term loans was 39%: 61%, as compared with 66%: 34% in 2012. The Group's transactions were mainly denominated in Renminbi. During the year, the appreciation in Renminbi against the US Dollar of 2.68% brought an exchange gain in aggregate of US$152.966 million, the exchange gain of US$18.812 million and US$134.154 million have been included in the income statement and exchange translation reserve respectively.

Financial Ratio

	For the year ended 31 December	
	2013	2012 (restated)
Finished goods turnover	**12.90Days**	12.11Days
Trade receivables turnover	**8.23Days**	7.69Days
Current ratio	**0.66Times**	0.70Times
Gearing ratio (Net debt to equity attributable to owners of the Company)	**0.15Times**	0.25Times
Debt ratio (Total liabilities to total assets)	**53.39%**	53.31%

HUMAN RESOURCES

As at 31 December 2013, the Group employed 80,541 (2012: 79,419) employees. The Group continued to provide training and development to talents as one of the missions of the Group by focusing on the long term accumulation and nurturing of human resources. Constantly improve the talents development strategies in the selection, training, deployment and retention in order to upgrade the competitiveness of the Group's talents.

During the period, the Group continued to perfect the mechanism in respect of personnel recruitment, selection and cultivation, extend and improve the selection channel and method for the manpower reserve and plan and implement talent development gateways. At the same time, the Group continued to propel the successor echelon plan and the talent development plan to identify and cultivate potential talents. In addition, the Group continued to improve the education training system and to speed up breeding senior level staffs so as to effectively link the education training system to the talent development system with an aim to enhance the leadership and management capability of the existing personnel. At the same time, the Group has planned and implemented a series of staff caring activities, which continuously helped to improve the corporate image of the Group.

Quality Control

"Food is No. 1 need and food safety is the first consideration". Food safety has become the top priority related to people's livelihood. Being a leader in the instant noodle industry, Master Kong operates by focusing on "one core, six assurances" with food safety as the core. Product quality and safety are ensured through the supervision and management of suppliers, the guarantee of raw material quality and safety, the monitoring of key control points during the production stage, a stringent mechanism for the examination and management of finished products, the optimization of management in the circulation field and the supervision and review of the quality system. We have established the MIS execution information system to construct online shared platforms for quality information; made use of Six Sigma Management to improve product quality; initiated the informationization of the tracking system to increase product tracking capability; continuously promoted the food protection and management mechanism to reduce food safety accident risks, optimize quality management for warehouses of distributors and improve the quality of network warehouses; facilitated ISO22000 food safety and management system certification for suppliers to strengthen food safety management for suppliers.

Food safety is of utmost importance to physical health and the safety of life. Master Kong constantly commit to product quality and safety to provide safe, delicious and healthy food for consumers.

PRODUCTION SCALE

In order to realize fast, automatic and labour saving production, Master Kong has been expanding production scale and optimizing production equipment continuously in order to improve efficiency and support the leadership position of the Group in the domestic food industry in terms of production efficiency. As at 31 December 2013, the Group had 122 production plant and 654 production lines in operation.

For Instant Noodle business, Tianjin factory and Hangzhou factory, as the world's single largest instant noodle factories equipped with advanced computer warehouse have been put into operation. Xian, Zhengzhou and other new second generation plants will commence production in 2014. Beverage business continues to accelerate the establishment of water plant sites. During the year, Shangqiu, Hengyang and other new plants coming on stream. In 2013, Instant Foods segment started to have strategic cooperation in order to expand the product range of instant foods. In March, Calbee leisure puffed food factory commenced production in Hangzhou. A joint venture with Prima Meat Packers Ltd. which focused on production of frozen meat, commenced production in Wujiang at the end of 2013.

PROSPECTS

The PRC economy growth has transferred from high speed in the past to medium-high speed. It is generally expected that China's GDP will grow at a rate of 7.5% in 2014. The Chinese government has adhered to the general principle of making progress while maintaining stability, and seeks to reform and innovate, in order to maintain sustainable and healthy development of the economy and society. It will continue to consider the expansion of domestic demand as the principal driver of the PRC economy. Coupled with continued expansion of the scale of the Chinese economy, the acceleration of urbanization and the rising income level of people, the next decade is still a golden stage for the development of the food and beverage industry in the PRC. With the improved living standard of people, upgrade and update of consumer demand, consumers are demanding in the quality of food and beverage products. Apart from basic requirements such as safety and deliciousness, they also put more emphasis on functionality and healthiness, which present6 both opportunities and challenges to food enterprises in the future.

For the beverage business, we will continue to consolidate the market position of major products, strengthen research and development capabilities and launch new products timely. The resources of Master Kong and PepsiCo China will be further consolidated and capture development opportunities actively through the integrated synergy of the alliance between Master Kong and PepsiCo. In February 2014, the alliance between Master Kong and PepsiCo entered into a strategic alliance agreement with the Shanghai Disney Resort to expand the development of the Group's business. In the future, we will continue to refine our operations through integration between production base and supply chain, strictly control production and selling costs, product quality and productivity, and increase the consolidated synergy in a stable team. The food business will focus on strengthening the instant noodle business and enhance the development of instant food products by product and branding innovations, deepen market penetration and development of new marketing channels and business opportunities to provide more varieties, safer and more delicious products for consumers.

Under a rapidly changing market situation and severe competition, the Group will consistently uphold the principle of "integrity, pragmatism, innovation", to constantly challenge itself and exceeds itself. We will 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, maintain communication with consumers 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 and training for talents will be strengthened in order to enhance the overall operation efficiency. Strong and sound financial conditions will be maintained to be well-prepared for capturing future business expansion opportunities.

Under the joint efforts of its excellent operation teams and all employees, and the support from consumers and network partners, the Group will constantly strengthen the recognition and reputation of the "Master Kong" brand, and expand the influence of the brand to further strengthen its leadership in the PRC market in terms of each products and to drive sustainable and solid growth in the future so as to bring returns to the society and its shareholders with better performance.

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 year ended 31 December 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.

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 principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, the preperation of 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 2013.

The latest meeting of the Committee was held to review the results of the Group for the year ended 31 December 2013.

Scope of Work of Mazars CPA Limited

The figures contained in the preliminary announcement of our Group's results for the year have been agreed by our Group's auditor, Mazars CPA Limited, to the amounts set out in our Group's consolidated financial statements for the year ended 31 December 2013. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Mazars CPA Limited on the preliminary announcement.

Model Code for Directors' Securities Transactions

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.

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 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 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 twelve months ended 31 December 2013, 3,508,000 options had been exercised under the Share Option Scheme. Weighted average exercise price was $9.30 and the weighted average market closing price before the date of exercise was $21.11.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the "Annual General Meeting") be held on 14 May 2014. The notice of the Annual General Meeting will be published on the Company's website and sent to the shareholders of the Company in due course.

PROPOSED FINAL DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Board has recommended the payment of a final dividend of US3.65 cents per ordinary share of the Company in respect of the year ended 31 December 2013. Subject to the approval of shareholders at the Annual General Meeting, the final dividend will be paid on or about 9 July 2014.

(1) To attend and vote at the annual general meeting

The register of members of the Company will be closed from 10 May 2014 to 14 May 2014 (both dates inclusive). In order to determine the identity of the shareholders who are entitled to attend and vote at the Annual General Meeting. All transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30pm on 9 May 2014.

(2) To qualify for the final dividends

The register of members of the Company will be closed from 24 May 2014 to 28 May 2014 (both dates inclusive). In order to determine the identity of the shareholders who are entitled to qualify for the final dividends. All transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30pm on 23 May 2014.

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. Teruo Nagano 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, the PRC, 24 March 2014

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

* *For identification purposes only*